

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Schoolcraft County	County Schoolcraft
Fiscal Year End 9/30/07	Opinion Date 2/22/08	Date Audit Report Submitted to State 3/12/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111		
Street Address 901 Ludington Street		City Escanaba	State MI	Zip 49829
Authorizing CPA Signature		Printed Name Kevin C. Pascoe, CPA		License Number 1101026882

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Schoolcraft  
Manistique, Michigan 49854

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Schoolcraft's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Schoolcraft Memorial Hospital and Schoolcraft County Road Commission, which represent 36% and 35%, respectively of the assets, 27% and 36% of net assets, and 62% and 12% of revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Schoolcraft Memorial Hospital and Schoolcraft County Road Commission, are based on the reports of other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the

discretely presented component units, each major fund and the aggregate remaining fund information of the County of Schoolcraft, Michigan as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reported dated February 22, 2008, on our consideration of the County of Schoolcraft, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 11 and 58 - 62, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schoolcraft's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Schoolcraft, Michigan. Such information has been subject to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Certified Public Accountants

February 22, 2008

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Schoolcraft County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2007. Please read it in conjunction with the County's financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$5,895,944 for 2007 and were \$5,036,087 for 2006, an increase of \$859,857. For 2007, net assets for our business-type activities were \$4,003,719 or 68% of total net assets, while net assets in our governmental activities were \$1,892,225 or 32% of total net assets.
- The County's expenses for 2007 totaled \$5,377,216, while revenues from all sources and transfers totaled \$6,237,073, resulting in an increase of \$859,857. In 2006, total expenses totaled \$5,120,472, while revenues and transfers totaled \$5,820,524, resulting in an increase of \$700,052.
- In the County's business type activities, total revenues were \$1,111,799, or 18% of total revenue, while expenses totaled \$864,388, or 16% of total expenses. This provides excess revenue over expenses of \$247,411.
- The General Fund reported an increase in fund balance of \$120,753 in 2007 and a decrease of \$41,265 in 2006, representing an increase in fund balance of 85% and a decrease of 22%, respectively. This was after revenues of \$3,773,682 compared to \$3,483,207 in 2006, and expenditures of \$3,652,929 compared to expenditures of \$3,524,472 in 2006.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12-13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County as a Whole

#### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements reports the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The County Airport, Public Transit and the collection of delinquent property taxes primarily make up these activities.

The County also presents five legally separate component units; Economic Development Corporation, Schoolcraft Memorial Hospital, County Road Commission, Medical Care Facility and the Housing Commission which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County's Most Significant Funds

#### Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - *governmental and proprietary* - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

#### The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 27. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### The County as a Whole

The County's net combined assets increased by \$859,857.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Assets:				
Current and other assets	\$ 3,502,666	\$ 2,568,315	\$ 2,342,729	\$ 2,222,445
Capital assets (net)	1,415,567	1,506,856	1,761,257	1,583,387
Total Assets	<u>\$ 4,918,233</u>	<u>\$ 4,075,171</u>	<u>\$ 4,103,986</u>	<u>\$ 3,805,832</u>
Liabilities:				
Long-term debt outstanding	2,330,357	2,597,253	-	-
Other liabilities	695,651	198,139	100,267	49,523
Total Liabilities	<u>\$ 3,026,008</u>	<u>\$ 2,795,392</u>	<u>\$ 100,267</u>	<u>\$ 49,523</u>
Net Assets:				
Invested in capital assets, net of related debt	468,629	444,918	1,761,257	1,583,387
Restricted assets:				
Expendable	1,106,136	1,111,482	42,417	1,596
Unrestricted	317,460	(276,621)	2,200,045	2,171,326
Total Net Assets	<u>\$ 1,892,225</u>	<u>\$ 1,279,779</u>	<u>\$ 4,003,719</u>	<u>\$ 3,756,309</u>

Net assets of the County's governmental activities stood at \$1,892,225 up from \$1,279,779 in 2006 (+48%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$317,460 and \$(276,621) for 2007 and 2006 respectively.

Net assets in our business-type activities stood at \$4,003,719, up from \$3,756,309 in 2006 (+6.6%). Unrestricted net assets for our business-type activities were \$2,200,045 and \$2,171,326 for 2007 and 2006 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Revenues:				
Program Revenues:				
Charges for services	\$ 996,333	\$ 995,080	\$ 213,556	\$ 220,012
Operating grants	1,150,841	962,687	123,360	285,048
Capital grants	-	28,464	591,739	382,938
General Revenues:				
Property taxes	2,863,003	2,668,092	136,244	130,131
Unrestricted investment earnings	131,960	91,014	46,983	44,143
Miscellaneous	-	801	2,593	45,510
Total Revenues	<u>\$ 5,142,137</u>	<u>\$ 4,746,138</u>	<u>\$ 1,114,475</u>	<u>\$ 1,107,782</u>
Program Expenses:				
Legislative	\$ 83,947	\$ 90,123	\$ -	\$ -
Judicial system	1,124,966	1,063,151	-	-
General government	1,110,073	1,081,871	-	-
Public safety	991,291	997,932	-	-
Health and welfare	841,309	738,224	-	-
Recreation and culture	3,815	22,428	-	-
Other	268,776	185,140	-	-
Interest on long-term debt	92,171	95,795	-	-
Delinquent tax revolving	-	-	28,318	36,729
Jail commissary	-	-	6,486	9,057
Building inspection	-	-	63,744	61,772
Building maintenance	-	-	4,406	2,651
Airport	-	-	148,955	99,289
Public transit	-	-	612,479	576,310
Total Expenses	<u>\$ 4,516,348</u>	<u>\$ 4,274,664</u>	<u>\$ 864,388</u>	<u>\$ 785,808</u>
Excess (deficiency) before transfers and contributions	625,789	471,474	250,087	321,974
Transfers	<u>(13,343)</u>	<u>(121,891)</u>	<u>(2,676)</u>	<u>28,495</u>
Increase (decrease) in net assets	612,446	349,583	247,411	350,469
Net assets - beginning	<u>1,279,779</u>	<u>930,196</u>	<u>3,756,308</u>	<u>3,405,840</u>
Net assets - ending	<u><u>\$ 1,892,225</u></u>	<u><u>\$ 1,279,779</u></u>	<u><u>\$ 4,003,719</u></u>	<u><u>\$ 3,756,309</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Governmental Activities

Revenues for the County's governmental activities totaled \$5,142,137, up 8.3% from \$4,746,138 in 2006, while expenses were \$4,516,348, up 5.7% from \$4,274,664. The net assets increased by \$612,446 in 2007, whereas net assets increased by \$349,583 in 2006.

Table three below reflects the cost of each of the County's five largest activities; General government, judicial system, public safety, health & welfare and other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General government	\$ 1,110,073	\$ 1,081,871	\$ 318,595	\$ 308,982
Judicial system	1,124,966	1,063,151	554,149	524,428
Public safety	991,291	997,932	695,975	754,179
Health and welfare	841,309	738,224	532,872	444,204
Other	265,256	185,140	86,247	61,810
Totals	<u>\$ 4,332,895</u>	<u>\$ 4,066,318</u>	<u>\$ 2,187,838</u>	<u>\$ 2,093,603</u>

### Business-Type Activities

The County's business-type activities net assets totaled \$4,003,719, with an increase in the current year of \$247,411, compared with \$3,756,309 in 2006. A majority of the increase was due to capital contributions received through state and federal funding for the Airport and Public Transit in the amounts of \$281,969 and \$309,770, respectively.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

For the current fiscal year the County's governmental funds reported total fund balance of \$2,801,046, of which \$30,246 was reserved and \$2,770,800 was unreserved. The General Fund unreserved fund balance amounted to \$235,193, with \$99,229 designated (see Note – C), and \$28,147 was reserved for prepaid items. The General Fund had an increase in fund balance of \$120,753, representing an increase of 85% over the prior year fund balance. The Revenue Sharing Reserve Fund had a fund balance of \$793,109, the 911 Telephone Fund had an unreserved fund balance of \$503,132, and the Medical Care Facility Improvement Fund had an unreserved fund balance of \$535,938.

In fiscal year 2005, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2006, the County placed \$431,614 in property taxes from the December 2005 levy into the Revenue Sharing Reserve Fund and also transferred \$162,170 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property tax revenue, the Act allowed the County to levy one-third of their property tax levy in July and that amount has been recognized as revenue in the General Fund. In 2007, the County placed \$431,614 in property taxes from the December 2006 levy and transferred \$168,170 to the General Fund for operating purposes.

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$263,677, representing an increase of 8%. The budgeted expenditures for the final amended budget increased by \$362,297 over the original budget, representing an increase of 10.8%. The original budget projected a change in net assets of \$1,990, while the actual results showed an increase to fund balance of \$120,753.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2007, the County had \$3,176,824, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below).

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	\$ 73,822	\$ 73,822	\$ 48,890	\$ 48,890
Land improvements	-	-	1,061,477	808,384
Buildings and improvements	1,269,040	1,354,531	443,738	426,355
Machinery and equipment	35,420	51,112	62,366	48,506
Vehicles	37,285	27,391	144,786	251,252
Totals	<u>\$ 1,415,567</u>	<u>\$ 1,506,856</u>	<u>\$ 1,761,257</u>	<u>\$ 1,583,387</u>

**DEBT**

At year-end the County had \$2,177,137 in bonds and notes outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Building Authority Bonds:				
FIA Expansion	\$ 726,938	\$ 761,938	\$ -	\$ -
Courthouse Renovation	220,000	300,000	-	-
2004 Medical Care Facility	1,215,000	1,325,000	-	-
Notes Payable:				
Northern Lights Revolving Loan	15,199	19,565	-	-
Totals	<u>\$ 2,177,137</u>	<u>\$ 2,406,503</u>	<u>\$ -</u>	<u>\$ -</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$2,177,137 is well below statutory limits. There were no outstanding debts for business-type activities at year-end of 2007 and 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will affect the way programs and services are provided and funded. The economy in the Schoolcraft County area appears to be flat in relation to job growth or job loss. The cost of living in the Schoolcraft County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2008 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Schoolcraft County Courthouse, 300 Walnut Street, Room #169, Manistique, Michigan 49854.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**STATEMENT OF NET ASSETS**

September 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 311,327	\$ 89,267	\$ 400,594
Unrestricted	2,619,872	984,449	3,604,321
Investments	-	200,063	200,063
Receivables:			
Accounts	28,522	21,887	50,409
State of Michigan	173,307	74,938	248,245
Current/delinquent taxes	286,854	-	286,854
Interest	6,611	463	7,074
Due from other governmental units	41,382	-	41,382
Internal balances	-	551,413	551,413
Prepays	34,791	5,969	40,760
Unamortized discount on bonds	-	-	-
Inventory	-	-	-
Total current assets	<u>3,502,666</u>	<u>1,928,449</u>	<u>5,431,115</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	378,260	378,260
Accrued interest on delinquent taxes	-	36,020	36,020
Capital assets, net of accumulated depreciation	1,415,567	1,761,257	3,176,824
Other assets	-	-	-
Total noncurrent assets	<u>1,415,567</u>	<u>2,175,537</u>	<u>3,591,104</u>
Total assets	<u>\$ 4,918,233</u>	<u>\$ 4,103,986</u>	<u>\$ 9,022,219</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 58,092	\$ 7,396	\$ 65,488
Accrued payroll	82,602	15,440	98,042
Accrued interest	19,424	-	19,424
Due to other governmental units	7,100	-	7,100
Other liabilities	25,826	38,018	63,844
Internal balances	502,607	39,413	542,020
Long-term liabilities due within one year:			
Compensated absences	38,305	-	38,305
Bonds/loans payable	236,454	-	236,454
Total current liabilities	<u>970,410</u>	<u>100,267</u>	<u>1,070,677</u>
Long-term liabilities:			
Compensated absences	114,915	-	114,915
Bonds/loans payable	1,940,683	-	1,940,683
Total long-term liabilities	<u>2,055,598</u>	<u>-</u>	<u>2,055,598</u>
Total liabilities	<u>3,026,008</u>	<u>100,267</u>	<u>3,126,275</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	468,629	1,761,257	2,229,886
Restricted	-	42,417	42,417
Restricted for expendable:			
Special revenue	886,488	-	886,488
Debt service	219,648	-	219,648
Unrestricted	317,460	2,260,045	2,517,505
Total net assets	<u>1,892,225</u>	<u>4,003,719</u>	<u>5,895,944</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,918,233</u>	<u>\$ 4,103,986</u>	<u>\$ 9,022,219</u>

See accompanying notes to financial statements



Component Units				
Road Commission	Housing Commission	Economic Development Corporation	Schoolcraft Memorial Hospital	Medical Care Facility
\$ -	\$ -	\$ 38,639	\$ -	\$ 248,479
1,117,144	115,135	30,347	190,872	1,783,476
-	82,027	-	-	-
31,415	19,079	-	2,135,991	300,609
358,614	-	3,640	-	-
-	-	-	-	-
-	-	-	-	-
495,511	-	-	-	-
-	-	-	-	-
28,253	15,632	-	267,863	70,894
24,000	-	-	-	-
259,408	-	-	300,885	-
<u>2,314,345</u>	<u>231,873</u>	<u>72,626</u>	<u>2,895,611</u>	<u>2,403,458</u>
-	12,349	-	1,411,204	-
-	-	-	-	-
-	-	-	-	-
7,553,653	1,457,457	-	5,660,189	3,618,484
-	-	-	61,656	-
<u>7,553,653</u>	<u>1,469,806</u>	<u>-</u>	<u>7,133,049</u>	<u>3,618,484</u>
<u>\$ 9,867,998</u>	<u>\$ 1,701,679</u>	<u>\$ 72,626</u>	<u>\$ 10,028,660</u>	<u>\$ 6,021,942</u>
\$ 43,672	\$ 24,257	\$ 6,274	\$ 598,244	\$ 82,644
60,478	4,939	2,850	-	98,313
-	-	-	-	-
297,252	7,473	-	167,812	15,000
273,260	11,364	-	1,253,650	6,269
-	-	-	-	-
-	12,714	-	-	226,244
165,488	-	-	592,224	-
<u>840,150</u>	<u>60,747</u>	<u>9,124</u>	<u>2,611,930</u>	<u>428,470</u>
252,773	13,179	-	-	-
1,690,000	-	-	2,086,832	-
<u>1,942,773</u>	<u>13,179</u>	<u>-</u>	<u>2,086,832</u>	<u>-</u>
<u>2,782,923</u>	<u>73,926</u>	<u>9,124</u>	<u>4,698,762</u>	<u>428,470</u>
5,698,165	1,457,457	-	-	3,618,484
1,386,910	-	-	21,602	-
-	-	-	-	-
-	-	-	-	-
-	170,296	63,502	5,308,296	1,974,988
<u>7,085,075</u>	<u>1,627,753</u>	<u>63,502</u>	<u>5,329,898</u>	<u>5,593,472</u>
<u>\$ 9,867,998</u>	<u>\$ 1,701,679</u>	<u>\$ 72,626</u>	<u>\$ 10,028,660</u>	<u>\$ 6,021,942</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2007**

Functions/Programs	Program Revenue					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Primary Government		
						Governmental Activities	Business-type Activities	Component Units
<b>Primary government:</b>								
Governmental activities:								
Legislative	\$ 83,947	\$ -	\$ -	\$ -	\$ (83,947)	\$ -	\$ (83,947)	\$ -
Judicial system	1,124,966	220,115	350,702	-	(554,149)	-	(554,149)	-
General government	1,110,073	696,167	95,311	-	(318,595)	-	(318,595)	-
Public safety	991,291	49,346	246,000	-	(695,945)	-	(695,945)	-
Health and welfare	841,309	13,763	294,674	-	(532,872)	-	(532,872)	-
Recreation and culture	3,815	2,087	-	-	(1,728)	-	(1,728)	-
Other	265,256	14,855	164,154	-	(86,247)	-	(86,247)	-
Interest on long-term debt	92,171	-	-	-	(92,171)	-	(92,171)	-
Total governmental activities	4,512,828	996,333	1,150,841	-	(2,365,654)	-	(2,365,654)	-
<b>Business-type activities:</b>								
Delinquent tax revolving/tax collections	28,318	30,885	116,758	-	119,325	-	119,325	-
Jail commissary	6,486	7,221	8	-	743	-	743	-
Building inspection	63,744	17,298	4,639	-	(41,807)	-	(41,807)	-
Building maintenance	4,406	-	1	-	(4,405)	-	(4,405)	-
Airport	148,955	47,524	1,954	591,739	492,262	-	492,262	-
Public transit	612,479	110,628	-	-	(501,851)	-	(501,851)	-
Total business-type activities	864,388	213,556	123,360	591,739	64,267	-	64,267	-
Total primary government	5,377,216	1,209,889	1,274,201	591,739	(2,301,387)	-	(2,301,387)	-
<b>Component units:</b>								
Road Commission	3,564,629	1,303,076	1,942,391	465,765	-	-	-	146,603
Housing Commission	537,742	157,640	354,169	-	-	-	-	(25,933)
Economic Development Corporation	177,493	-	37,766	123,308	-	-	-	(16,419)
Schoolcraft Memorial Hospital	19,182,102	18,923,593	-	-	-	-	-	(258,509)
Medical Care Facility	6,912,735	6,136,726	1,013,335	-	-	-	-	237,326
Total component units	\$ 30,374,701	\$ 26,521,035	\$ 3,347,661	\$ 589,073	-	-	-	83,068
<b>General revenues:</b>								
Property taxes, levied for general purposes						232,093	136,244	368,337
Property taxes, levied for debt service						2,630,910	-	2,630,910
Unrestricted investment earnings						131,960	46,983	178,943
Miscellaneous						-	-	-
Loss on sale of fixed assets						(3,520)	-	(3,520)
Unrealized gain on investments						-	2,593	2,593
Transfers						(13,343)	(2,676)	(16,019)
Total general revenues and transfers						2,978,100	183,144	3,161,244
Change in net assets						612,446	247,411	859,857
Net assets, beginning						1,279,779	3,756,308	5,036,087
Net assets, ending						\$ 1,892,225	\$ 4,003,719	\$ 5,895,944
								\$ 19,699,700

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2007**

	<u>General Fund</u>	<u>Revenue Sharing Reserve</u>	<u>911 Telephone</u>	<u>Medical Care Facility Improvement</u>
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ 99,229	\$ -	\$ 171,249	\$ -
Unrestricted	288,633	793,109	305,109	534,604
Receivables:				
State of Michigan	41,663	-	24,852	-
Delinquent property taxes	286,854	-	-	-
Accounts	23,927	-	3,088	-
Accrued interest	-	-	-	1,334
Due from other governmental units	13,779	-	-	-
Due from other funds	99,303	-	-	-
Prepaid expense	28,147	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 881,535</u>	<u>\$ 793,109</u>	<u>\$ 504,298</u>	<u>\$ 535,938</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 20,469	\$ -	\$ 724	\$ -
Due to other funds	500,000	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	71,900	-	442	-
Deferred revenue	25,826	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>618,195</u>	<u>-</u>	<u>1,166</u>	<u>-</u>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid items	28,147	-	-	-
Unreserved:				
Designated	99,229	-	171,249	-
Undesignated	135,964	793,109	331,883	535,938
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>263,340</u>	<u>793,109</u>	<u>503,132</u>	<u>535,938</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 881,535</u>	<u>\$ 793,109</u>	<u>\$ 504,298</u>	<u>\$ 535,938</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 30,658	\$ 301,136
686,412	2,607,867
106,792	173,307
-	286,854
1,433	28,448
5,277	6,611
27,603	41,382
-	99,303
2,099	30,246
<u>\$ 860,274</u>	<u>\$ 3,575,154</u>
\$ 35,477	\$ 56,670
101,910	601,910
7,100	7,100
10,260	82,602
-	25,826
<u>154,747</u>	<u>774,108</u>
2,099	30,246
30,658	301,136
-	1,796,894
236,840	236,840
425,492	425,492
10,438	10,438
<u>705,527</u>	<u>2,801,046</u>
<u>\$ 860,274</u>	<u>\$ 3,575,154</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2007**

Total fund balances for governmental funds	\$ 2,801,046
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	73,822	
Buildings and improvements	3,279,877	
Equipment	40,651	
Vehicles	29,956	
Accumulated depreciation	(2,032,969)	
Total capital assets		1,391,337

The County uses internal service funds for the purpose of internally financing various County projects and for activities related to the Service Center. The assets and liabilities of these internal service funds are included in the governmental activities in the statement of net assets.

49,623

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(19,424)	
Bonds/loans payable	(2,177,137)	
Compensated absences	(153,220)	
		(2,349,781)

Total net assets of governmental activities	\$ <u>1,892,225</u>
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See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2007**

	General Fund	Revenue Sharing Reserve	911 Telephone	Medical Care Facility Improvement
<b>REVENUES:</b>				
Taxes	\$ 2,063,016	\$ 431,615	\$ -	\$ -
Licenses and permits	9,650	-	-	-
Federal sources	173,279	-	-	-
State sources	178,217	-	97,427	-
Local sources	-	-	39,101	-
Charges for services	371,970	-	-	-
Interest and rentals	118,406	13,554	-	11,817
Other	579,314	-	38	-
Total revenues	3,493,852	445,169	136,566	11,817
<b>EXPENDITURES:</b>				
Legislative	81,679	-	-	-
Judicial system	946,671	-	-	-
General government	1,089,780	-	-	-
Public safety	818,872	-	83,100	-
Health and welfare	147,755	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	4,366	-	-	-
Interest	351	-	-	-
Other	112,810	-	-	-
Total expenditures	3,202,284	-	83,100	-
Excess revenues (expenditures)	291,568	445,169	53,466	11,817
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	279,830	-	-	72,000
Transfer out	(450,645)	(168,170)	-	(40,790)
Total other financing sources (uses)	(170,815)	(168,170)	-	31,210
Net change in fund balance	120,753	276,999	53,466	43,027
Fund balances - beginning of year	142,587	516,110	449,666	492,911
Fund balances - end of year	\$ 263,340	\$ 793,109	\$ 503,132	\$ 535,938

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 368,372	\$ 2,863,003
-	9,650
226,955	400,234
379,104	654,748
1,686	40,787
19,087	391,057
32,197	175,974
27,332	606,684
<u>1,054,733</u>	<u>5,142,137</u>
-	81,679
156,061	1,102,732
-	1,089,780
121,669	1,023,641
654,522	802,277
3,815	3,815
1,600	1,600
225,225	229,591
92,491	92,842
152,446	265,256
<u>1,407,829</u>	<u>4,693,213</u>
<u>(353,096)</u>	<u>448,924</u>
304,207	656,037
<u>(9,775)</u>	<u>(669,380)</u>
294,432	(13,343)
(58,664)	435,581
764,191	2,365,465
<u>\$ 705,527</u>	<u>\$ 2,801,046</u>

See accompanying notes to financial statements

**SCHOOLCRAFT COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2007**

Net changes in fund balances - total governmental funds	\$ 435,581
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$97,986) and loss on disposal of capital assets (\$3,520) exceeded capital outlays \$22,656.	(78,850)
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Internal service funds are used by management to account for activities related to services provided between funds of the County. The net revenue (expense) of the internal service funds is reported with governmental activities.	(12,077)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	229,366
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	37,530		
Accrued interest on bonds	896	38,426	
Changes in net assets of governmental activities		\$ 612,446	

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2007**

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2004
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 42,417	\$ -	\$ -	\$ -
Unrestricted	7,916	142,313	313,124	6,076
Investments	-	-	200,063	-
Receivables:				
State of Michigan	-	74,938	-	-
Accounts	327	15,465	-	-
Accrued interest	-	463	-	-
Due from other funds	-	-	-	539,413
Prepaid expenses	-	5,112	-	-
Total current assets	<u>50,660</u>	<u>238,291</u>	<u>513,187</u>	<u>545,489</u>
Noncurrent assets:				
Delinquent taxes	-	-	-	2,770
Accrued interest on delinquent taxes	-	-	-	-
Capital assets, net of accumulated depreciation	<u>1,276,170</u>	<u>485,087</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,276,170</u>	<u>485,087</u>	<u>-</u>	<u>2,770</u>
Total assets	<u>\$ 1,326,830</u>	<u>\$ 723,378</u>	<u>\$ 513,187</u>	<u>\$ 548,259</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 693	\$ 6,523	\$ -	\$ 16
Accrued payroll	-	13,603	-	-
Other liabilities	7,230	30,788	-	-
Due to other funds	<u>39,413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>47,336</u>	<u>50,914</u>	<u>-</u>	<u>16</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,276,170	485,087	-	-
Restricted	42,417	-	-	-
Unrestricted	<u>(39,093)</u>	<u>187,377</u>	<u>513,187</u>	<u>548,243</u>
Total net assets	<u>1,279,494</u>	<u>672,464</u>	<u>513,187</u>	<u>548,243</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,326,830</u>	<u>\$ 723,378</u>	<u>\$ 513,187</u>	<u>\$ 548,259</u>

See accompanying notes to financial statements

Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ 46,850	\$ 89,267	\$ 10,191
230,413	284,607	984,449	12,005
-	-	200,063	-
-	-	74,938	-
5,210	885	21,887	74
-	-	463	-
-	12,000	551,413	-
-	857	5,969	4,545
235,623	345,199	1,928,449	26,815
328,637	46,853	378,260	-
23,005	13,015	36,020	-
-	-	1,761,257	24,230
351,642	59,868	2,175,537	24,230
\$ 587,265	\$ 405,067	\$ 4,103,986	\$ 51,045
\$ -	\$ 164	\$ 7,396	\$ 1,422
-	1,837	15,440	-
-	-	38,018	-
-	-	39,413	-
-	2,001	100,267	\$ 1,422
-	-	1,761,257	24,230
-	-	42,417	-
587,265	403,066	2,200,045	25,393
587,265	403,066	4,003,719	49,623
\$ 587,265	\$ 405,067	\$ 4,103,986	\$ 51,045

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2004
<b>OPERATING REVENUES:</b>				
State sources	\$ 1,505	\$ -	\$ -	\$ -
Charges for services	47,524	110,628	-	-
Interest and rentals	-	-	-	661
Other	449	-	-	1,197
Total operating revenue	49,478	110,628	-	1,858
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	425	429,739	-	-
Administrative fees	-	-	1,244	-
Contracted services	28,074	22,175	-	-
Repairs and maintenance	6,727	78,660	-	-
Depreciation	65,616	71,576	-	-
Other	48,113	10,329	-	74
Total operating expenses	148,955	612,479	1,244	74
Operating income (loss)	(99,477)	(501,851)	(1,244)	1,784
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Millage and taxes	-	136,244	-	-
Unrealized gain on investments	-	-	2,593	-
Loss on sale of fixed assets	-	-	-	-
Interest income	-	3,868	24,932	14,693
Total nonoperating revenues (expenses)	-	140,112	27,525	14,693
Income (loss) before transfers and contributions	(99,477)	(361,739)	26,281	16,477
Capital/grant contributions	281,969	309,770	-	-
Transfer in	64,259	-	2,816	-
Transfer out	-	-	(51,000)	(24,604)
Change in net assets	246,751	(51,969)	(21,903)	(8,127)
Total net assets - beginning	1,032,743	724,433	535,090	556,370
Total net assets - ending	\$ 1,279,494	\$ 672,464	\$ 513,187	\$ 548,243

See accompanying notes to financial statements

Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ 4,555	\$ 6,060	\$ -
-	55,404	213,556	4,749
37,614	48,071	86,346	-
17,491	11,817	30,954	870
<u>55,105</u>	<u>119,847</u>	<u>336,916</u>	<u>\$ 5,619</u>
-	60,876	491,040	-
-	-	1,244	52,486
-	22,005	72,254	-
-	-	85,387	-
-	-	137,192	12,279
<u>2,240</u>	<u>16,515</u>	<u>77,271</u>	<u>-</u>
<u>2,240</u>	<u>99,396</u>	<u>864,388</u>	<u>64,765</u>
<u>52,865</u>	<u>20,451</u>	<u>(527,472)</u>	<u>(59,146)</u>
-	-	136,244	-
-	-	2,593	-
-	-	-	(160)
<u>3,490</u>	<u>-</u>	<u>46,983</u>	<u>-</u>
<u>3,490</u>	<u>-</u>	<u>185,820</u>	<u>(160)</u>
56,355	20,451	(341,652)	(59,306)
-	-	591,739	-
530,910	45,105	643,090	47,229
<u>-</u>	<u>(570,162)</u>	<u>(645,766)</u>	<u>-</u>
587,265	(504,606)	247,411	(12,077)
<u>-</u>	<u>907,672</u>	<u>3,756,308</u>	<u>61,700</u>
<u>\$ 587,265</u>	<u>\$ 403,066</u>	<u>\$ 4,003,719</u>	<u>\$ 49,623</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

	Airport	Public Transit	Tax Revolving 2001	Tax Revolving 2004	Tax Revolving 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 48,242	\$ 74,431	\$ -	\$ -	\$ -
Receipts from interest and rents	-	-	12	661	37,614
Cash received for collection of taxes	-	-	-	41,767	511,150
Cash receipts (payments) for interfund services	-	-	331	(493,762)	-
Payments to suppliers	(28,438)	(95,792)	-	-	-
Payments for wages and related benefits	(425)	(429,006)	-	-	-
Cash payments for taxes	-	-	-	-	(839,787)
Other receipts (payments)	(6,809)	(10,329)	(1,217)	1,118	(12,964)
Net cash provided (used) by operating activities	12,570	(460,696)	(874)	(450,216)	(303,987)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Grants received	-	309,770	-	-	-
Tax levy received	-	136,244	-	-	-
Operating transfer in	64,259	-	2,816	-	530,910
Operating transfer out	-	-	(51,000)	(24,604)	-
Net cash provided (used) by noncapital financing activities	64,259	446,014	(48,184)	(24,604)	530,910
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Sale (purchase) of fixed assets	(315,061)	-	-	-	-
Capital contributions	281,969	-	-	-	-
Net cash provided (used) by capital and related financing activities	(33,092)	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Sale of investments	-	-	100,000	-	-
Interest earnings	-	3,868	24,932	14,693	3,490
Net cash provided (used) by investing activities	-	3,868	124,932	14,693	3,490
Net increase (decrease) in cash and equivalents	43,737	(10,814)	75,874	(460,127)	230,413
Cash and equivalents, beginning of year	6,596	153,127	237,250	466,203	-
Cash and equivalents, end of year	\$ 50,333	\$ 142,313	\$ 313,124	\$ 6,076	\$ 230,413
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (99,477)	\$ (501,851)	\$ (1,244)	\$ 1,784	\$ 52,865
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	65,616	71,576	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	718	(36,197)	39	41,767	(356,852)
(Increase) decrease in prepaid expenses	-	205	-	-	-
(Increase) decrease in due from other funds	-	-	331	(493,762)	-
Increase (decrease) in accounts payable	6,363	4,838	-	(5)	-
Increase (decrease) in accrued payroll	-	733	-	-	-
Increase (decrease) in due to other funds	39,350	-	-	-	-
Total adjustments	112,047	41,155	370	(452,000)	(356,852)
Net cash provided by operating activities	\$ 12,570	\$ (460,696)	\$ (874)	\$ (450,216)	\$ (303,987)

See accompanying notes to financial statements

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 55,405	\$ 178,078	\$ -
55,781	94,068	-
231,873	784,790	-
-	(493,431)	5,552
(22,607)	(146,837)	(56,401)
(60,833)	(490,264)	-
-	(839,787)	-
66,668	36,467	-
<u>\$ 326,287</u>	<u>\$ (876,916)</u>	<u>\$ (50,849)</u>
-	309,770	-
-	136,244	-
45,105	643,090	47,229
(570,162)	(645,766)	-
<u>(525,057)</u>	<u>443,338</u>	<u>47,229</u>
-	(315,061)	-
-	281,969	-
-	(33,092)	-
-	100,000	-
-	46,983	-
-	146,983	-
(198,770)	(319,687)	(3,620)
530,227	1,393,403	25,816
<u>\$ 331,457</u>	<u>\$ 1,073,716</u>	<u>\$ 22,196</u>
<u>\$ 20,451</u>	<u>\$ (527,472)</u>	<u>\$ (59,146)</u>
-	137,192	12,279
239,083	(111,442)	(67)
4	209	(3,855)
67,285	(426,146)	-
(579)	10,617	48
43	776	-
-	39,350	(108)
305,836	(349,444)	8,297
<u>\$ 326,287</u>	<u>\$ (876,916)</u>	<u>\$ (50,849)</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
September 30, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 244,895
Receivables:	
Due from other governmental units	18,261
Other assets	<u>1,714</u>
Total assets	<u><u>\$ 264,870</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 4,546
Due to other funds	9,393
Due to other units governmental units	104,320
Undistributed taxes	3,447
Other liabilities	<u>143,164</u>
Total liabilities	<u><u>\$ 264,870</u></u>

See accompanying notes to financial statements

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Schoolcraft was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB 39, Schoolcraft County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Schoolcraft County Building Authority – The Schoolcraft County Building Authority is governed by a board of six members, which have been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as the County Building Retirement fund and is included as part of the County's operations because its purpose is to finance the construction of the County Building

Schoolcraft County Public Transit – The Public Transit is governed by a six-member board, which is appointed by the County's Board of Commissioners and includes two County Commissioners. The Transit provides transportation services for the residents of Schoolcraft County. The Transit may not issue debt or levy taxes without the County's approval. The fiscal year for the Transit is October 1 through September 30.



## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission on Aging – The Commission on Aging is governed by a board, which has been appointed by the County's Board of Commissioners. The Commission on Aging provides services to the residents of Schoolcraft County and therefore is included as part of the primary government.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Schoolcraft County Medical Care Facility, Schoolcraft County Housing Commission, Schoolcraft County Road Commission, Schoolcraft Memorial Hospital, and the Economic Development Corporation (EDC). The component units are reported in a separate column to emphasize that they are legally separate from the County.

Schoolcraft County Medical Care Facility – The facility is governed by the Schoolcraft County Department of Human Services Board which consists of three members, two of whom are appointed by the Schoolcraft County Board of Commissioners and one appointed by the Michigan Governor. The Medical Care Facility may not issue debt or levy property taxes without the County's approval.

Schoolcraft County Medical Care Facility  
520 Main Street  
Manistique, Michigan 49854

Schoolcraft County Housing Commission – The Schoolcraft County Housing Commission was formed by the Schoolcraft County Board under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the County. The Housing Commission's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending March 31, 2007. Additional financial information of the Housing Commission may be obtained directly from their administrative offices.

Schoolcraft County Housing Commission  
900 Steuben  
Manistique, Michigan 49854

Schoolcraft County Road Commission - The citizenry in a general, popular election elects the members of the governing board of the Road Commission. The Road Commission provides the citizens of Schoolcraft County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission can be obtained directly from their administrative office.

Schoolcraft County Road Commission  
P.O. Box 160  
Manistique, Michigan 49854

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Schoolcraft Memorial Hospital – The Schoolcraft Memorial Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation that operates a 25-bed acute care facility. The Hospital provides comprehensive inpatient, outpatient, emergency, medical, and home health services. The Hospital's most current audit report is included within the financial statements of Schoolcraft County with a fiscal year ending December 31, 2006. Additional financial information of the Hospital may be obtained directly from their administrative offices.

Schoolcraft Memorial Hospital  
500 Main Street  
Manistique, Michigan 49854

Schoolcraft County Economic Development Corporation (EDC) – The EDC was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. The EDC received an appropriation of \$10,000 from Schoolcraft County. Additional financial information of the corporation may be obtained directly from their administrative offices.

Schoolcraft County Economic Development Corporation  
300 Walnut Street  
Manistique, Michigan 49854

Related Organization - The LMAS Health Department is a district health department covering the counties of Luce, Mackinac, Alger and Schoolcraft. The Board consists of eight members, with two members being appointed by each County. All financial operations of the Health Department are recorded in the books of Luce County. Each County makes an annual appropriation, which is given at the discretion of each County Board. Schoolcraft County's appropriation to the Health Department for the calendar year was \$10,000. There is no funding formula adopted by the member counties. A copy of the audit report may be acquired from the following:

LMAS District Health Department  
Hamilton Lake Road  
Newberry, Michigan 49868

Accounting Policies - The accounting policies of the County of Schoolcraft conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation - The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

911 Telephone Fund – The 911 Telephone Fund accounts for the activities of the 911 system for Schoolcraft County.

Medical Care Facility (MCF) Improvement Fund – The Medical Care Facility (MCF) Improvement Fund accounts for the activities attributable to the improvement of the Medical Care Facility.

The County reports the following as major proprietary funds:

Public Transit – The Transit fund accounts for the activities relating to the operation of the public bus transportation system.

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2001, 2004, and 2006 – These funds account for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit and Airport enterprise funds are charges to customers for sales and services, and the principal operating revenues of the Tax Revolving 2001, Tax Revolving 2004, and Tax Revolving 2006 funds are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e. The County of Schoolcraft adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)  
General appropriations and functional groups  
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2007. All budget amendments are presented to the Finance Committee. In September, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments - Investments are carried at market with all dividends being reinvested.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The County has not recorded an allowance for uncollectible accounts, as the County does not anticipate that amount to be material.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is accounted for under the consumption method for the reporting entity with the exception of the Schoolcraft County Road Commission, which is priced at cost as determined on the average unit cost method.

# COUNTY OF SCHOOLCRAFT, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes Receivable – The County of Schoolcraft property tax is levied on each December 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Schoolcraft as of the preceding December 31<sup>st</sup> and July 1<sup>st</sup>.

Although the County of Schoolcraft 2006 ad valorem tax is levied and collectible on December 1, 2006, and 2007 ad valorem is levied and collectible on July 1, 2007, it is the County of Schoolcraft's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	5 - 25
Buildings and improvements	5 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 5
Infrastructure	8 - 50

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2007

**NOTE B – CASH & EQUIVALENTS AND INVESTMENTS**

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 349,125	\$ 345,359
Uninsured	3,900,685	6,732,352
Total cash	<u>\$ 4,249,810</u>	<u>\$ 7,077,711</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 400,594	
Unrestricted	3,604,321	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	244,895	
Total cash and equivalents	<u>\$ 4,249,810</u>	
Investments:		
Risk categorized investments:		
Government bond and notes (2)	<u>\$ 200,063</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 1,117,144	
Housing Commission	115,135	
Economic Development Corporation	68,986	
Schoolcraft Memorial Hospital	190,872	
Medical Care Facility	2,031,955	
Total cash and equivalents	<u>\$ 3,524,092</u>	
Assets limited as to use:		
Schoolcraft Memorial Hospital	\$ 972,191	
Investments:		
Housing Commission	94,376	
Schoolcraft Memorial Hospital	439,013	
Total assets limited as to use and investments	<u>\$ 1,505,580</u>	

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

*Interest Rate Risk.* The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The investments held by the County at year end are not rated.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At September 30, 2007, the County held \$7,077,711 in certificate of deposits, along with checking and saving accounts. Of this amount, \$6,732,352 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

Assets Limited as to Use:

Schoolcraft Memorial Hospital – The composition of assets limited to use at December 31, 2006 consists of cash and certificate of deposits stated at fair value. These assets have been designated by the Board for funded depreciation in the amount of \$782,172, risk management for \$152,188 and donor restricted for specific purposes for \$37,831, for total assets limited as to use in the amount of \$972,191.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE B – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

Investments:

Schoolcraft Memorial Hospital -- Investments, which are stated at fair value as of December 31, 2006, consist of certificate of deposits in the amount of \$328,747 and common stock in the amount of \$110,266.

Schoolcraft County Housing Commission -- Investments, which are stated at fair value as of March 31, 2007 consist of certificate of deposits, with \$82,027 having less than 1-year maturity and \$12,349 having maturities between 1-5 years, for total certificate of deposits in the amount of \$94,376.

**NOTE C – RESTRICTED CASH**

GOVERNMENTAL ACTIVITIES:

Total restricted cash reported within the governmental activities are \$311,327 as of September 30, 2007.

- 1 – General Fund – in the amount of \$95,413 for accrued sick and vacation, \$3,430 for phone cards and \$386 for the Prosecuting Attorney, for total restricted cash in the amount of \$99,229.
- 2 – Special Revenue Funds – have restricted cash in the amount of \$171,249 for the 911 Telephone Fund, \$926 for the Parks & Recreation Fund, \$838 for the Emergency Management Fund, \$369 for the Commission on Aging Fund, and \$67 for the Juvenile Justice Fund; for a total in the amount of \$173,449.
- 3 – Capital Projects Funds – have restricted cash in the Capital Improvement fund in the amount of \$6,512 for courthouse parking lot and the Capital Improvement – Public Safety fund in the amount of \$21,946 for repairs, jail renovation, and for the roof; for total restricted cash in the amount of \$28,458.
- 4 – Internal Service Funds – have restricted cash in the Computer Fund in the amount of \$3,305 for computer purchases, and the Motor Pool Police Vehicle Fund in the amount of \$6,886 for anticipated vehicle purchases; for total restricted cash in the amount of \$10,191.

BUSINESS-LIKE ACTIVITIES:

Total restricted cash reported within the business-like activities are \$89,267 as of September 30, 2007.

- 1 – Enterprise Funds – have restricted cash in the Airport fund in the amount of \$42,417 for repairs, fuel tanks and runways, \$46,850 in the Foreclosure Fund, for total restricted cash in the amount of \$89,267.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE D – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2007 represent short-term borrowings between funds and are summarized as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		County/City Belt & Alcohol	\$ 1,633
		Marine Safety	2,968
		Sheriff Road Patrol	10,334
		Brownfield Grant	10,651
		Survey & Remonumentation	50,417
		Community Corrections Public Act	5,073
		O.R.V. Law Enforcement Grant	8,232
		County/City Youth Alcohol Grant	602
		General Trust & Agency	2,302
		Payroll Trust & Agency	6,169
		Housing Commission	922
General Fund	\$ 99,303		99,303
		General Fund	500,000
		Airport	39,413
DTRF 2004	539,413		539,413
		Snowmobile Enforcement Grant	12,000
DTRF 2003	12,000		
Total	\$ 650,716	Total	\$ 650,716
Financial Statement Presentation:			
Governmental Funds	\$ 99,303	Governmental Funds	\$ 601,910
Enterprise Funds	551,413	Enterprise Funds	39,413
		Fiduciary Funds	9,393
Total	\$ 650,716		\$ 650,716

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance at 10/01/06	Additions	Disposals	Balance at 09/30/07
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 73,822	\$ -	\$ -	\$ 73,822
Capital assets being depreciated:				
Buildings and improvements	3,279,877	-	-	3,279,877
Machinery and equipment	135,406	-	11,598	123,808
Vehicles	115,092	22,656	26,342	111,406
Total depreciable capital assets	<u>3,530,375</u>	<u>22,656</u>	<u>37,940</u>	<u>3,515,091</u>
Total capital assets	<u>3,604,197</u>	<u>22,656</u>	<u>37,940</u>	<u>3,588,913</u>
Less accumulated depreciation:				
Buildings and improvements	1,925,346	85,491	-	2,010,837
Machinery and equipment	84,294	15,532	11,438	88,388
Vehicles	87,701	9,242	22,822	74,121
Total accumulated depreciation	<u>2,097,341</u>	<u>110,265</u>	<u>34,260</u>	<u>2,173,346</u>
Total depreciable capital assets	<u>1,390,990</u>	<u>(87,609)</u>	<u>3,680</u>	<u>1,341,745</u>
Governmental activities capital assets, net	<u>\$ 1,506,856</u>	<u>\$ (87,609)</u>	<u>\$ 3,680</u>	<u>\$ 1,415,567</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 48,890	\$ -	\$ -	\$ 48,890
Capital assets being depreciated:				
Land improvements	931,250	289,199	-	1,220,449
Buildings and improvements	672,102	20,362	-	692,464
Machinery and equipment	61,966	5,500	-	67,466
Vehicles	572,305	-	42,358	529,947
Total depreciable capital assets	<u>2,237,623</u>	<u>315,061</u>	<u>42,358</u>	<u>2,510,326</u>
Total capital assets	<u>2,286,513</u>	<u>315,061</u>	<u>42,358</u>	<u>2,559,216</u>
Less accumulated depreciation:				
Land improvements	122,866	36,106	-	158,972
Buildings and improvements	245,747	2,979	-	248,726
Machinery and equipment	4,550	550	-	5,100
Vehicles	17,321	25,981	-	43,302
Transit assets	312,642	71,575	42,358	341,859
Total accumulated depreciation	<u>703,126</u>	<u>137,191</u>	<u>42,358</u>	<u>797,959</u>
Net depreciable capital assets	<u>1,534,497</u>	<u>177,870</u>	<u>-</u>	<u>1,712,367</u>
Business-type activities capital assets, net	<u>\$ 1,583,387</u>	<u>\$ 177,870</u>	<u>\$ -</u>	<u>\$ 1,761,257</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE E – CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 2,552
Judicial system	39,098
General government	21,523
Public safety	3,169
Health and welfare	43,923
Total governmental activities	
depreciation expense	<u>\$ 110,265</u>
Business-type activities:	
Airport	\$ 65,616
Transit	71,575
Total business-type activities	
depreciation expense	<u>\$ 137,191</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE F - ROAD COMMISSION CAPITAL ASSETS**

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/06	Additions	Disposals	Balance at 09/30/07
Capital assets not being depreciated:				
Land	\$ 46,065	\$ -	\$ -	\$ 46,065
Infrastructure - Land improvements	958,667	94,004	-	1,052,671
Subtotal	1,004,732	94,004	-	1,098,736
Capital assets being depreciated:				
Land improvements	50,519	-	-	50,519
Buildings	3,465,028	-	-	3,465,028
Road equipment	3,934,685	511	-	3,935,196
Shop equipment	121,003	570	-	121,573
Office equipment	34,265	2,703	3,130	33,838
Engineers' equipment	16,865	-	-	16,865
Depletable assets	69,508	-	-	69,508
Infrastructure - Bridges	28,031	-	-	28,031
Infrastructure - Roads	4,192,190	375,937	-	4,568,127
Total capital assets	11,912,094	379,721	3,130	12,288,685
Less accumulated depreciation:				
Land improvements	10,104	3,368	-	13,472
Buildings	691,859	102,000	-	793,859
Road equipment	3,451,714	239,867	-	3,691,581
Shop equipment	86,260	7,061	-	93,321
Office equipment	21,511	3,515	2,425	22,601
Engineers' equipment	16,064	499	-	16,563
Depletable assets	22,403	-	-	22,403
Infrastructure - Bridges	9,344	2,336	-	11,680
Infrastructure - Roads	835,234	333,054	-	1,168,288
Total accumulated depreciation	5,144,493	691,700	2,425	5,833,768
Net capital assets being depreciated	6,767,601	379,721	692,405	6,454,917
Capital assets, net	<u>\$ 7,772,333</u>	<u>\$ 473,725</u>	<u>\$ 692,405</u>	<u>\$ 7,553,653</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE G – SCHOOLCRAFT MEMORIAL HOSPITAL CAPITAL ASSETS**

A summary of capital assets as of December 31, 2006 for the Schoolcraft Memorial Hospital:

Capital assets:	
Land and land improvements	\$ 43,706
Buildings and improvements	5,992,714
Major movable equipment	6,017,370
Construction in progress	<u>1,099,744</u>
Total capital assets	13,153,534
Less accumulated depreciation	<u>7,493,345</u>
Capital assets, net	<u><u>\$ 5,660,189</u></u>

**NOTE H – MEDICAL CARE FACILITY CAPITAL ASSETS**

A summary of capital assets as of September 30, 2007 for the Schoolcraft County Medical Care Facility:

Capital assets:	
Land	\$ 37,666
Building	5,486,402
Furniture, fixtures and equipment	<u>932,753</u>
Total capital assets	<u>6,456,821</u>
Accumulated depreciation:	
Land improvements	37,666
Building	2,123,781
Furniture, fixtures and equipment	<u>676,890</u>
Total accumulated depreciation	<u>2,838,337</u>
Capital assets, net	<u><u>\$ 3,618,484</u></u>



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE I – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

Type of Debt	Balance 10/1/2006	Additions	Deductions	Balance 9/30/2007	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds:					
FIA Expansion	\$ 761,938	\$ -	\$ 35,000	\$ 726,938	\$ 37,000
Courthouse Construction	300,000	-	80,000	220,000	85,000
2004 Medical Care Facility					
General Obligation Unlimited					
Tax Refunding Bonds	1,325,000	-	110,000	1,215,000	110,000
Northern Lights Revolving Loan	19,565	-	4,366	15,199	4,454
Compensated absences	190,750	-	37,530	153,220	38,305
Total governmental activities long-term debt	<u>\$ 2,597,253</u>	<u>\$ -</u>	<u>\$ 266,896</u>	<u>\$ 2,330,357</u>	<u>\$ 274,759</u>

Debt service requirements on long-term debt at September 30, 2007 are as follows:

For the Year Ending September 30,	Governmental Activities	
	Bonds/Loan Payable	
	Principal	Interest
2008	\$ 236,454	\$ 84,129
2009	248,544	74,914
2010	215,636	66,047
2011	174,566	58,678
2012	180,000	52,050
2013-2017	863,000	150,635
2018-2021	258,937	32,888
Total	<u>\$ 2,177,137</u>	<u>\$ 519,341</u>

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE I – LONG-TERM DEBT (continued)

##### **Governmental Activities:**

##### FIA Expansion

The County Building Authority issued \$1,038,000 Building Authority Bonds on July 31, 1996. The bonds were issued under the provisions of Act 31 of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, construction, furnishing and equipping an addition to the Schoolcraft County Courthouse. The bonds were issued in anticipation of and are payable solely from certain cash rental payments on amounts sufficient to pay principal of and interest on the bonds when due. The bonds were issued in denominations of \$5,000 and bear a rate not to exceed 5%.

##### Courthouse Construction

The County Building Authority issued \$1,900,000 Building Authority Bonds on January 1, 1977. The bonds were issued under the provisions of the Public Acts of Michigan of 1948, as amended, for the purpose of acquiring, constructing, furnishing and equipping the County Courthouse. The bonds are payable from certain cash rental payments. The bonds are full faith and credit general obligations of the County of Schoolcraft payable from advalorem taxes, if necessary, which must be levied by the County to the extent necessary to make the principal and interest payments. The bonds were issued in denominations of \$5,000 and bear an interest rate of 5%.

##### 2004 Medical Care Facility General Obligation Unlimited Tax Refunding Bonds

The County of Schoolcraft issued \$1,345,000 General Obligation Unlimited Tax Refunding Bonds on September 1, 2004. The purpose of the bond issue is to refund the County's General Obligation Unlimited Tax Bonds, Series 1995, which was to pay part of the cost of constructing and equipping an addition to and renovating and re-equipping the Schoolcraft Medical Care Facility. The County is obligated to levy annually sufficient taxes to provide for the payment of the principal and interest on the refunding bonds of this issue as they mature. The bonds were issued in \$5,000 denominations with an interest rate from 2.0% to 3.75%.

##### Northern Lights Revolving Loan

The purpose of the promissory note proceeds were used for energy improvements which would lead to energy savings from the improvements sufficient to pay the loan payments of the note. The loan was entered into in December 2003 with 84 monthly installments in the amount of \$393.11 at an interest rate of 2%.

##### **Compensated Absences:**

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$153,220 are reported

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE I – LONG-TERM DEBT (continued)**

under the governmental activities in the Statement of Net Assets.

Details of the various plans are as follows:

County General – Sick leave is earned at the rate of one hour for every twenty-one hours worked. It can be accumulated up to a maximum of 960 hours. Upon death, or retirement, an employee shall be paid on half of accumulated sick leave. Vacation pay is earned, after one year of employment, based on the employee's employment anniversary date and years of service.

**NOTE J - ROAD COMMISSION LONG-TERM DEBT**

**Bonds Payable:**

Michigan Transportation Fund Bonds, Series 2002 – In July 2002, the County of Schoolcraft approved a Schoolcraft County Road Commission Michigan Transportation Fund Bond Issue for the purpose of constructing road commission buildings. The issue was for \$2,000,000 and requires annual principal payments each August 1<sup>st</sup> and semi-annual interest payments each February 1<sup>st</sup> and August 1<sup>st</sup> and has a variable interest rate ranging from 2% to 4.85%.

**Notes Payable:**

Wells Fargo Bank 2003 – In 2003, the Road Commission financed the purchase of road equipment in the amount of \$504,647. The note calls for five annual payments of \$112,316 on each June 30<sup>th</sup>, bears an interest rate of 3.95% and is secured by the equipment.

**Compensated Absences:**

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year, and are permitted to accumulate up to a maximum of 2 years of vacation benefits. Sick leave benefits are earned at the rate of 1 day for each calendar month in which the employee has worked at least 12 days and shall be accumulated up to 105 days. Upon reaching the maximum 105 days of sick leave, an additional 2 days per year will be granted for each year of agreement. Maximum sick days will be 111. Upon retirement or death, an employee, or their estate, shall be paid for 100% of accumulated sick leave. The total vacation and sick leave amount of \$252,773 is recorded in the statement of net assets as a liability.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE J - ROAD COMMISSION LONG-TERM DEBT (continued)**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2006	Additions	Deductions	Balance 9/30/2007	Due in One Year
Bonds payable:					
Michigan Transportation Fund Bonds	\$ 1,800,000	\$ -	\$ 55,000	\$ 1,745,000	\$ 55,000
Notes payable:					
Wells Fargo 2003 Equipment	210,272	-	99,784	110,488	110,488
Compensated Absences	266,555	-	13,782	252,773	
Total long-term debt	<u>\$ 2,276,827</u>	<u>\$ -</u>	<u>\$ 168,566</u>	<u>\$ 2,108,261</u>	<u>\$ 165,488</u>

Debt service requirements on long-term debt at September 30, 2007 are as follows:

For the Year Ending September 30,	County Road Commission			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2008	\$ 55,000	\$ 78,542	\$ 110,488	\$ 1,828
2009	55,000	76,810	-	-
2010	60,000	74,940	-	-
2011	60,000	72,780	-	-
2012	65,000	70,560	-	-
2013-2017	365,000	311,914	-	-
2018-2022	475,000	222,318	-	-
2023-2027	610,000	94,750	-	-
Total	<u>\$ 1,745,000</u>	<u>\$ 1,002,614</u>	<u>\$ 110,488</u>	<u>\$ 1,828</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE K – SCHOOLCRAFT MEMORIAL HOSPITAL LONG-TERM DEBT**

Required payments of principal on various notes payable at December 31, 2006, including current maturities, are summarized as follows:

<u>For the Year Ending December 31</u>	<u>Notes Payable Principal</u>
2007	\$ 592,224
2008	1,723,791
2009	297,501
2010	<u>65,540</u>
Total	<u>\$ 2,679,056</u>

**NOTE L – MEDICAL CARE FACILITY COMPENSATED ABSENCES**

The Medical Care Facility's policies regarding vacation, sick and compensated time off allow non-union employees to accumulate earned but unused vacation and sick time, and for union employees to accumulate earned but unused compensated time off. The liability for these compensated absences is recorded as an accrued current liability on the Statement of Net Assets. As of September 30, 2007, the total accrued vacation, sick and compensated time off was \$22,428, \$90,232 and \$113,584, respectively, totaling \$226,244.

**NOTE M – PUBLIC TRANSIT COMPENSATED ABSENCES**

Vacation is earned on a variable basis, depending upon length of employment. Upon retirement or termination, employees are paid for all outstanding days accumulated at their current rate of pay. The amount of accrued vacation time at September 30, 2007 is \$11,406.

Sick leave is earned at the rate of one day per month, not exceeding twelve days per year. Upon retirement or disability, employees are eligible to receive one-half of such sick leave accumulated, up to a maximum of one hundred days, at their current rate of pay. The amount of accumulated sick leave recorded at one-half of the total accumulated sick leave is \$18,217. Actual sick leave available to be used upon illness is \$36,434.

Accruals for sick and vacation accumulated by Transit employees are reported as liabilities of that fund as required by accounting principles generally accepted in the United States of America.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE N - OPERATING TRANSFERS IN AND OUT**

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2007:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 279,830	\$ 450,644
Parks & Recreation	2,699	-
Drug & Alcohol Enforcement	8,229	-
Revenue Sharing Reserve	-	168,170
Emergency Management	8,087	-
Wrap Grant	-	46
Law Library	32,847	-
Juvenile Justice	24,700	-
FIA MSU Grant	46	-
Probate Child Care	138,887	-
Soldiers & Sailors Relief	1,337	-
Department of Social Services Debt	73,100	-
Medical Care Facility Improvement	72,000	40,790
Capital Improvement - Public Safety	1,546	-
Carpenter Dam - Maintenance & Repair	3,000	-
Budget Stabilization	9,729	9,729
Enterprise Funds:		
Building Inspection	44,725	-
Airport Operations	64,259	-
Tax Revolving 2000	-	910
Tax Revolving 2001	2,816	51,000
Tax Revolving 2002	380	15,362
Tax Revolving 2003	-	104,161
Tax Revolving 2004	-	24,604
Tax Revolving 2005	-	440,000
Tax Revolving 2006	530,909	-
DTRF Administration	-	9,729
Internal Service Funds:		
Computer	22,420	-
Postage Meter	5,300	-
Telephone	18,509	-
Motor Pool	1,000	-
Component Units:		
Medical Care Facility	40,790	72,000
Total	<u>\$ 1,387,145</u>	<u>\$ 1,387,145</u>

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE O - RETIREMENT PLANS

##### **General County**

Plan Description – The County of Schoolcraft has eight valuation divisions, which participate in a single retirement plan administered by the Municipal Employee's Retirement System (MERS). They are the General County, Sheriff-FOP, Sheriff's Department, Medical Care Facility, MCF Non-Union, Senior Citizens and Housing, Judges and Admin & DON which participate in a defined benefit contributory plan. The retirement plan covers substantially all full-time and limited part-time employees. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. All full-time employees of the County participate in the system.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

General County Retirement Plan – The General County offers its various departments either benefit B-2, B-3 or B-4. Under benefit B-2 employees shall receive 2.0% of their three-year final average compensation. Under B-3 employees shall receive 2.25% of their three-year final average compensation, with a maximum of 80% of final average compensation. Under benefit B-4 employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE O - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/06)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 8,251,897
Terminated employees not yet receiving benefits	595,327
Non-vested terminated employees	41,762
Current Employees:	
Accumulated employee contributions including allocated investment income	1,537,334
Employer financed	<u>9,776,850</u>
Total actuarial accrued liability	20,203,170
Net assets available for benefits, at actuarial value (market value is \$16,208,125)	<u>15,984,517</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 4,218,653</u></u>

**GASB 27 INFORMATION (as of 12/31/06)**

Fiscal year beginning	October 1, 2008
Annual required contribution (ARC)	\$ 637,272
Amortization factor used - Underfunded Liabilities (29 years)	0.054719

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 613,437	100%	-
2005	618,136	100%	-
2006	637,645	100%	-

The General County was required to contribute \$671,094 for the year ended September 30, 2007. Payments were based on contribution calculations made by MERS.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE O - RETIREMENT PLANS (continued)**

The County is required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage		
	2008*	2007*	2006*
General	19.20%	14.67%	15.03%
Sheriff FOP	19.40%	19.27%	18.74%
MCF	8.38%	8.34%	8.63%
Senior Citizens Housing	13.93%	14.17%	14.74%
Judges	1.88%	0.00%	1.63%
Sheriff/Sheriff	13.38%	14.36%	14.79%
MCF Non-Union	15.36%	14.49%	15.39%

\* Represents the actuarial required contribution for the fiscal year ended.

**Aggregate Accrued Liabilities - Comparative Schedule**

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 13,682,976	\$ 17,767,781	\$ 4,084,805	77%	\$ 4,700,978	87%
2005	14,706,782	18,538,808	3,832,026	79%	5,034,483	76%
2006	15,984,517	20,203,170	4,218,653	79%	5,090,532	83%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**County Road Commission - Component Unit**

Description of Plan and Plan Assets – The Schoolcraft County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2006.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE O - RETIREMENT PLANS (continued)**

Funding Policy

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Annual Pension Cost

The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The Road Commission was required to contribute \$301,221 for the calendar year ended December 31, 2006. Payments were based on contribution calculations made by MERS.

Three Year Trend Information for GASB Statement No. 27

<u>Ended December 31</u>	<u>Pension Cost (APC)</u>	<u>of APC Contribution</u>	<u>Pension Obligation</u>
2004	\$ 243,432	100%	\$ -
2005	253,725	100%	-
2006	301,221	100%	-

Required Supplementary Information for GASB Statement No. 27

<u>Valuation Date December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
2004	\$ 6,305,405	\$ 9,196,675	\$ 2,891,270	69%	\$ 1,416,124	204%
2005	6,424,004	9,603,356	3,179,352	67%	1,258,646	253%
2006	6,660,345	10,501,104	3,840,759	63%	1,161,701	331%

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE O - RETIREMENT PLANS (continued)**

**Schoolcraft Memorial Hospital - Component Unit**

The Hospital sponsors a defined benefit plan through participation in the Michigan Municipal Employee's Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers full-time employees of the Hospital hired before February 17, 1999, who did not elect to change to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

Benefits provisions of MMERS, and employer and employee obligations to contribute are outlined in ACT No. 427 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of investments over a 10-year period.

The Hospital's contributions to the defined benefit plan amounted to \$240,996 for the year ended December 31, 2006.

The following table summarizes the benefit obligation, the fair value of assets, and the funded status of the plan as of the end of the plan years December 31, 2005, the last plan measurement date available:

	<u>2005</u>
Projected benefit obligation	\$ (14,613,872)
Fair value of plan assets as of December 31	<u>12,478,628</u>
Funded status at December 31	<u>\$ (2,135,244)</u>

The plan's current accumulated benefit obligation was \$11,740,722 at December 31, 2005, the plan measurement date. Fair value of plan assets exceeded the accumulated benefit obligation at December 31, 2005.

The amount of required contributions and benefits paid from the plan is as follows for the plan years ended December 31, 2005:

	<u>2005</u>
Annual contributions	219,669
Benefit payments	624,132

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE O - RETIREMENT PLANS (continued)**

The assumptions used in the measurement of the Hospital's benefit obligation are shown in the following table:

	<u>2005</u>
Expected return on plan assets	8.0%
Rate of compensation increase	4.0% - 8.0%
Cost of living adjustment	4.5%

The Hospital also sponsors a defined contribution plan covering all employees hired after February 17, 1999, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 5% of their gross earnings and the Hospital contributes 3% match for participants. The Hospital's contribution totaled \$195,631 for the year ended December 31, 2006.

**NOTE P – DESIGNATED FUND BALANCE AND RESERVE RETAINED EARNINGS**

Various county funds have designated fund balance and retained earnings for cash restricted for various purposes. See Note – C "Restricted Cash", for these specified purposes.

**NOTE Q - CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

**NOTE R - RISK MANAGEMENT**

The County of Schoolcraft participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE R - RISK MANAGEMENT (continued)**

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000 per person and \$250,000 per occurrence. The limits on vehicle physical damage are \$1,500,000. The retention limits for property coverage are subject to a \$250 deductible. Some members have individual retention levels different than the ones previously stated.

The member must satisfy all deductibles before any payments are made from the member's self-insured retention or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the member's self-insured retention. The member's self-insured retention and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the member's self-insured retention and the Limits of Coverage.

Schoolcraft County agrees to maintain, at all times, on account with MMRMA, sufficient funds to pay its self-insured retention obligations. The member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the member's self-insured retention.

At September 30, 2007, the County had no outstanding claims, which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

**NOTE S – RESTRICTED NET ASSETS**

Total net assets which are restricted by enabling legislation amounted to \$1,106,136 for governmental activities and \$42,417 for business-type activities.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 1,876,945	\$ 2,068,685	\$ 2,063,016	\$ (5,669)
License and permits	8,500	9,335	9,650	315
Federal sources	159,600	151,123	173,279	22,156
State sources	353,533	342,018	178,217	(163,801)
Charges for services	344,185	351,954	371,970	20,016
Interest and rentals	67,800	101,442	118,406	16,964
Other	505,402	555,085	579,314	24,229
Total revenues	3,315,965	3,579,642	3,493,852	(85,790)
<b>EXPENDITURES:</b>				
Legislative:				
Board of commissioners	68,518	73,402	55,193	18,209
County memberships	26,518	26,538	26,486	52
Judicial system:				
Circuit court	139,795	189,506	189,446	60
District court	199,838	214,221	213,588	633
Friend of court	143,359	169,299	169,280	19
Jury commission	2,169	2,168	2,001	167
Probate court	133,007	137,329	135,798	1,531
Juvenile court	58,051	72,381	71,245	1,136
Prosecuting attorney	172,230	165,230	165,313	(83)
General government:				
Elections	3,709	12,719	12,360	359
Audit	29,500	27,175	27,175	-
Clerk	227,834	244,164	244,129	35
Equalization	144,359	148,213	148,204	9
Surveyor	2,490	2,490	2,372	118
Treasurer	190,843	192,561	188,518	4,043
Cooperative extension	67,950	67,935	64,055	3,880
Building and grounds	339,779	379,452	374,712	4,740
Drain commissioner	6,809	8,354	7,120	1,234
Planning and zoning	8,721	8,297	8,237	60
Copy machines	13,000	12,943	12,898	45
Public safety:				
Sheriff's administration	70,140	71,268	71,139	129
Search and rescue	-	70	69	1
County jail	706,407	747,023	747,002	21
Animal control	3,400	1,550	-	1,550
Risk control safety commission	1,129	718	662	56
Health and welfare:				
Medical examiner	6,100	9,958	9,957	1
Veteran's counselor and burials	22,962	24,054	24,045	9
Other - appropriations	457,312	603,889	113,753	490,136
Debt service:				
Principal payments	-	-	4,366	(4,366)
Interest and fiscal charges	-	-	351	(351)

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Other:				
Insurance liability	86,062	83,592	83,590	2
Unemployment	10,000	-	-	-
Workmen's compensation	3,000	376	376	-
Other	21,438	31,851	28,844	3,007
Total expenditures	3,366,429	3,728,726	3,202,284	526,442
Excess revenues (expenditures)	(50,464)	(149,084)	291,568	440,652
<b>OTHER FINANCING SOURCES (USES):</b>				
Other	(75,000)	-	-	-
Transfer in	127,454	151,074	279,830	128,756
Transfer out	-	-	(450,645)	(450,645)
Total other financing sources (uses)	52,454	151,074	(170,815)	(321,889)
Net changes in fund balances	1,990	1,990	120,753	118,763
Fund balances - beginning	142,587	142,587	142,587	142,587
Fund balances - ending	<u>\$ 144,577</u>	<u>\$ 144,577</u>	<u>\$ 263,340</u>	<u>\$ 261,350</u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVENUE SHARING RESERVE FUND**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 431,615	\$ 431,615	\$ 431,615	\$ -
Interest and rentals	5,000	5,000	13,554	8,554
Total revenues	436,615	436,615	445,169	8,554
<b>EXPENDITURES:</b>				
Health and welfare	-	-	-	-
Excess revenues (expenditures)	436,615	436,615	445,169	8,554
<b>OTHER FINANCING SOURCES</b>				
<b>(USES):</b>				
Transfer out	(436,615)	(436,615)	(168,170)	268,445
Net changes in fund balances	-	-	276,999	276,999
Fund balances - beginning	516,110	516,110	516,110	516,110
Fund balances - ending	<u>\$ 516,110</u>	<u>\$ 516,110</u>	<u>\$ 793,109</u>	<u>\$ 793,109</u>



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**911 TELEPHONE**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
<b>REVENUES:</b>				
State sources	\$ 65,000	\$ 71,280	\$ 97,427	26,147
Local sources	35,085	35,199	39,101	3,902
Other	-	-	38	38
Total revenues	100,085	106,479	136,566	30,087
<b>EXPENDITURES:</b>				
Public safety	100,085	106,479	83,100	23,379
Excess revenues (expenditures)	-	-	53,466	53,466
<b>OTHER FINANCING SOURCES</b>				
<b>(USES):</b>				
Transfer in	-	-	-	-
Net changes in fund balances	-	-	53,466	53,466
Fund balances - beginning	449,666	449,666	449,666	449,666
Fund balances - ending	\$ 449,666	\$ 449,666	\$ 503,132	\$ 503,132

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**MEDICAL CARE FACILITY IMPROVEMENT FUND**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive/ (Negative)
<b>REVENUES:</b>				
Interest and rentals	\$ 8,000	\$ 11,351	\$ 11,817	\$ 466
<b>EXPENDITURES:</b>				
Other	8,000	29,846	-	29,846
Excess revenues (expenditures)	-	(18,495)	11,817	30,312
<b>OTHER FINANCING SOURCES</b>				
<b>(USES):</b>				
Transfer in	-	29,240	72,000	42,760
Transfer out	-	(10,745)	(40,790)	(30,045)
Total other financing sources	-	18,495	31,210	12,715
Net changes in fund balances	-	-	43,027	43,027
Fund balances - beginning	492,911	492,911	492,911	492,911
Fund balances - ending	\$ 492,911	\$ 492,911	\$ 535,938	\$ 535,938

## **COMBINING FUND FINANCIAL STATEMENTS**

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	Special Revenue Funds			
	Brownfield Grant	Parks & Recreation	Drug & Alcohol Enforcement	Friend of the Court
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ -	\$ 926	\$ -	\$ -
Unrestricted	-	125	1,302	15,031
Receivables:				
State of Michigan	-	-	-	726
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	10,651	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 10,651</u>	<u>\$ 1,051</u>	<u>\$ 1,302</u>	<u>\$ 15,757</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,172	\$ -
Due to other funds	10,651	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	92	-	-
Total liabilities	<u>10,651</u>	<u>92</u>	<u>1,172</u>	<u>-</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	-
Unreserved:				
Designated	-	926	-	-
Undesignated	-	33	130	15,757
Total fund balances	<u>-</u>	<u>959</u>	<u>130</u>	<u>15,757</u>
Total liabilities and fund balances	<u>\$ 10,651</u>	<u>\$ 1,051</u>	<u>\$ 1,302</u>	<u>\$ 15,757</u>

See accompanying notes to financial statements

Special Revenue Funds

Probation Oversite	Family Counseling Services	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management
\$ - 7,420	\$ - 6,494	\$ - -	\$ - 7,731	\$ - 7,161	\$ - 971	\$ 838 1,914
-	-	50,417	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 7,420</u>	<u>\$ 6,494</u>	<u>\$ 50,417</u>	<u>\$ 7,731</u>	<u>\$ 7,161</u>	<u>\$ 971</u>	<u>\$ 2,752</u>
\$ 37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	50,417	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	265
<u>37</u>	<u>-</u>	<u>50,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	838
<u>7,383</u>	<u>6,494</u>	<u>-</u>	<u>7,731</u>	<u>7,161</u>	<u>971</u>	<u>1,649</u>
<u>7,383</u>	<u>6,494</u>	<u>-</u>	<u>7,731</u>	<u>7,161</u>	<u>971</u>	<u>2,487</u>
<u>\$ 7,420</u>	<u>\$ 6,494</u>	<u>\$ 50,417</u>	<u>\$ 7,731</u>	<u>\$ 7,161</u>	<u>\$ 971</u>	<u>\$ 2,752</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	Special Revenue Funds				
	County Grants	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant	O.R.V. Law Enforcement Grant
<b>ASSETS</b>					
Cash and equivalents:					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	16,898	200	10,160	-
Receivables:					
State of Michigan	-	-	16,678	-	9,961
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 16,898</u>	<u>\$ 16,878</u>	<u>\$ 10,160</u>	<u>\$ 9,961</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 726	\$ -	\$ 210
Due to other funds	-	12,000	5,073	-	8,232
Due to other governmental units	-	-	-	-	-
Accrued payroll	-	-	1,723	-	1,519
Total liabilities	<u>-</u>	<u>12,000</u>	<u>7,522</u>	<u>-</u>	<u>9,961</u>
Fund balances:					
Reserved for:					
Prepaid items	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	-	4,898	9,356	10,160	-
Total fund balances	<u>-</u>	<u>4,898</u>	<u>9,356</u>	<u>10,160</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 16,898</u>	<u>\$ 16,878</u>	<u>\$ 10,160</u>	<u>\$ 9,961</u>

See accompanying notes to financial statements

Special Revenue Funds

Corrections Officers Training	Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ 67	\$ -	\$ 369
2,437	-	-	2,731	3,869	6,022	162,313
-	13,730	-	-	2,500	-	-
-	-	-	-	-	-	1,433
-	-	-	-	-	-	-
-	-	-	-	-	-	6,905
-	-	-	-	-	-	-
-	-	-	-	857	-	1,242
<u>\$ 2,437</u>	<u>\$ 13,730</u>	<u>\$ -</u>	<u>\$ 2,731</u>	<u>\$ 7,293</u>	<u>\$ 6,022</u>	<u>\$ 172,262</u>
\$ -	\$ 284	\$ -	\$ 1,590	\$ 37	\$ -	\$ -
-	10,334	-	-	-	-	-
-	-	-	-	-	-	-
-	740	-	-	-	-	3,633
-	11,358	-	1,590	37	-	3,633
-	-	-	-	857	-	1,242
-	-	-	-	67	-	369
2,437	2,372	-	1,141	6,332	6,022	167,018
2,437	2,372	-	1,141	7,256	6,022	168,629
<u>\$ 2,437</u>	<u>\$ 13,730</u>	<u>\$ -</u>	<u>\$ 2,731</u>	<u>\$ 7,293</u>	<u>\$ 6,022</u>	<u>\$ 172,262</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	Special Revenue Funds				
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief	County/City Youth Alcohol Grant
<b>ASSETS</b>					
Cash and equivalents:					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,706	2	9,692	374	-
Receivables:					
State of Michigan	-	-	280	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governmental units	-	-	-	-	602
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,706</b>	<b>\$ 2</b>	<b>\$ 9,972</b>	<b>\$ 374</b>	<b>\$ 602</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	602
Due to other governmental units	-	-	7,100	-	-
Accrued payroll	-	-	2,076	19	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>9,176</b>	<b>19</b>	<b>602</b>
Fund balances:					
Reserved for:					
Prepaid items	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	1,706	2	796	355	-
<b>Total fund balances</b>	<b>1,706</b>	<b>2</b>	<b>796</b>	<b>355</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,706</b>	<b>\$ 2</b>	<b>\$ 9,972</b>	<b>\$ 374</b>	<b>\$ 602</b>

See accompanying notes to financial statements



Special Revenue Funds				Debt Service Funds		
County/City Belt & Alcohol Enforcement	Michigan Veterans Trust	Maintenance of Effort - Medical Care Facility	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,184	179,209	-	102,543	17,192	109,293
-	-	-	12,500	-	-	-
-	-	-	-	-	-	-
-	-	5,277	-	-	-	-
1,633	-	-	-	6,144	-	1,668
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,633</u>	<u>\$ 3,184</u>	<u>\$ 184,486</u>	<u>\$ 12,500</u>	<u>\$ 108,687</u>	<u>\$ 17,192</u>	<u>\$ 110,961</u>
\$ -	\$ 1,600	\$ 29,668	\$ 153	\$ -	\$ -	-
1,633	-	-	2,968	-	-	-
-	-	-	-	-	-	-
-	-	-	193	-	-	-
<u>1,633</u>	<u>1,600</u>	<u>29,668</u>	<u>3,314</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,584	154,818	9,186	108,687	17,192	110,961
-	1,584	154,818	9,186	108,687	17,192	110,961
<u>\$ 1,633</u>	<u>\$ 3,184</u>	<u>\$ 184,486</u>	<u>\$ 12,500</u>	<u>\$ 108,687</u>	<u>\$ 17,192</u>	<u>110,961</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ 6,512	\$ 21,946	\$ -	\$ 30,658
Unrestricted	-	3,121	7,317	686,412
Receivables:				
State of Michigan	-	-	-	106,792
Accounts	-	-	-	1,433
Accrued interest	-	-	-	5,277
Due from other governmental units	-	-	-	27,603
Due from other funds	-	-	-	-
Prepaid expense	-	-	-	2,099
Total assets	<u>\$ 6,512</u>	<u>\$ 25,067</u>	<u>\$ 7,317</u>	<u>\$ 860,274</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 35,477
Due to other funds	-	-	-	101,910
Due to other governmental units	-	-	-	7,100
Accrued payroll	-	-	-	10,260
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,747</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	2,099
Unreserved:				
Designated	6,512	21,946	-	30,658
Undesignated	-	3,121	7,317	672,770
Total fund balances	<u>6,512</u>	<u>25,067</u>	<u>7,317</u>	<u>705,527</u>
Total liabilities and fund balances	<u>\$ 6,512</u>	<u>\$ 25,067</u>	<u>\$ 7,317</u>	<u>\$ 860,274</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Special Revenue Funds			
	Brownfield Grant	Parks & Recreation	Drug & Alcohol Enforcement	Friend of the Court
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	155,594	-	-	3,732
State sources	-	-	-	-
Local sources	-	-	1,200	-
Charges for services	-	885	-	4,192
Interest and rentals	-	-	-	481
Other	-	1,202	-	-
Total revenues	155,594	2,087	1,200	8,405
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	9,381	-
Culture and recreation	-	3,815	-	-
Health and welfare	155,594	-	-	6,125
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	155,594	3,815	9,381	6,125
Excess revenues (expenditures)	-	(1,728)	(8,181)	2,280
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	2,699	8,229	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	2,699	8,229	-
Net changes in fund balance	-	971	48	2,280
Fund balances - beginning	-	(12)	82	13,477
Fund balances - ending	\$ -	\$ 959	\$ 130	\$ 15,757

See accompanying notes to financial statements

Special Revenue Funds

Probation Oversite	Family Counseling Services	Survey and Remonumen- tation	Homestead Property Tax Audit	Register of Deeds Automation	Budget Stabilization	Emergency Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	156,156	-	-	-	-
-	-	-	-	-	-	-
3,849	890	-	-	14,855	-	-
-	-	-	36	175	-	-
-	-	-	-	-	-	107
3,849	890	156,156	36	15,030	-	107
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,346
-	-	-	-	-	-	-
3,559	592	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	129,690	137	13,520	-	-
3,559	592	129,690	137	13,520	-	8,346
290	298	26,466	(101)	1,510	-	(8,239)
-	-	-	-	-	9,729	8,087
-	-	-	-	-	(9,729)	-
-	-	-	-	-	-	8,087
290	298	26,466	(101)	1,510	-	(152)
7,093	6,196	(26,466)	7,832	5,651	971	2,639
\$ 7,383	\$ 6,494	\$ -	\$ 7,731	\$ 7,161	\$ 971	\$ 2,487

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Special Revenue Funds				
	County Grants	Snowmobile Enforcement Grant	Community Corrections Public Act	Dare Grant	O.R.V. Law Enforcement Grant
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	12,055	-	-	-	-
State sources	-	18,909	73,845	-	9,960
Local sources	-	-	-	-	-
Charges for services	-	-	-	-	-
Interest and rentals	-	-	-	-	-
Other	-	5,845	6,633	4,060	-
Total revenues	12,055	24,754	80,478	4,060	9,960
<b>EXPENDITURES:</b>					
Judicial system	-	-	86,173	-	-
General government	-	-	-	-	-
Public safety	12,055	26,033	-	1,802	9,960
Culture & Recreation	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	12,055	26,033	86,173	1,802	9,960
Excess revenues (expenditures)	-	(1,279)	(5,695)	2,258	-
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net changes in fund balance	-	(1,279)	(5,695)	2,258	-
Fund balances - beginning	-	6,177	15,051	7,902	-
Fund balances - ending	\$ -	\$ 4,898	\$ 9,356	\$ 10,160	\$ -

See accompanying notes to financial statements

Special Revenue Funds						
Corrections Officers Training	Sheriff Road Patrol	Wrap Grant	Law Library	Juvenile Justice	FIA/MSU Grant	Commission on Aging
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,232
-	-	-	-	-	39,562	14,249
-	38,803	-	-	16,041	-	10,603
-	-	-	-	260	-	226
2,694	-	-	-	-	-	-
-	-	-	-	-	-	-
-	338	-	2,000	112	-	6,407
2,694	39,141	-	2,000	16,413	39,562	167,717
-	-	-	34,435	35,453	-	-
-	-	-	-	-	-	-
2,925	38,804	-	-	-	-	-
-	-	-	-	-	-	-
-	-	203	-	-	37,608	128,350
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,925	38,804	203	34,435	35,453	37,608	128,350
(231)	337	(203)	(32,435)	(19,040)	1,954	39,367
-	-	-	32,847	24,700	46	-
-	-	(46)	-	-	-	-
-	-	(46)	32,847	24,700	46	-
(231)	337	(249)	412	5,660	2,000	39,367
2,668	2,035	249	729	1,596	4,022	129,262
\$ 2,437	\$ 2,372	\$ -	\$ 1,141	\$ 7,256	\$ 6,022	\$ 168,629

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Special Revenue Funds				
	Michigan Justice Training	Veterans F.E.M.A.	Probate Child Care	Soldiers & Sailors Relief	County/City Youth Alcohol Grant
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	1,763	-	-	-
State sources	1,047	-	28,744	-	602
Local sources	-	-	-	-	-
Charges for services	-	-	4,832	-	-
Interest and rentals	-	-	-	-	-
Other	-	-	603	25	-
Total revenues	1,047	1,763	34,179	25	602
<b>EXPENDITURES:</b>					
Judicial system	-	-	-	-	-
General government	-	-	-	-	-
Public safety	934	-	-	-	602
Culture & Recreation	-	-	-	-	-
Health and welfare	-	1,842	186,942	1,915	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	934	1,842	186,942	1,915	602
Excess revenues (expenditures)	113	(79)	(152,763)	(1,890)	-
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in	-	-	138,887	1,337	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	-	138,887	1,337	-
Net changes in fund balance	113	(79)	(13,876)	(553)	-
Fund balances - beginning	1,593	81	14,672	908	-
Fund balances - ending	\$ 1,706	\$ 2	\$ 796	\$ 355	\$ -

See accompanying notes to financial statements

Special Revenue Funds				Debt Service Funds		
County/City Belt & Alcohol Enforcement	Michigan Veterans Trust	Maintenance of Effort - Medical Care Facility	Marine Safety	County Building Retirement	Department of Social Services Debt	Medical Care Facility II Retirement
\$ -	\$ -	\$ 47	\$ -	\$ 92,132	\$ -	\$ 139,961
-	-	-	-	-	-	-
1,634	10,260	-	12,500	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	10,608	-	2,654	1,931	3,202
-	-	-	-	-	-	-
1,634	10,260	10,655	12,500	94,786	1,931	143,163
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,634	-	-	9,193	-	-	-
-	-	-	-	-	-	-
-	9,802	121,990	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	80,000	35,000	110,225
-	-	-	-	13,000	38,097	41,394
-	-	-	-	217	-	374
1,634	9,802	121,990	9,193	93,217	73,097	151,993
-	458	(111,335)	3,307	1,569	(71,166)	(8,830)
-	-	-	-	-	73,100	-
-	-	-	-	-	-	-
-	-	-	-	-	73,100	-
-	458	(111,335)	3,307	1,569	1,934	(8,830)
-	1,126	266,153	5,879	107,118	15,258	119,791
\$ -	\$ 1,584	\$ 154,818	\$ 9,186	\$ 108,687	\$ 17,192	\$ 110,961

See accompanying notes to financial statements



**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Capital Improvement	Capital Improvement - Public Safety	Carpenter Dam - Maintenance & Repair	
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 368,372
Federal sources	-	-	-	226,955
State sources	-	-	-	379,104
Local sources	-	-	-	1,686
Charges for services	-	-	-	32,197
Interest and rentals	-	-	-	19,087
Other	-	-	-	27,332
Total revenues	-	-	-	1,054,733
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	156,061
General government	-	-	-	-
Public safety	-	-	-	121,669
Culture & Recreation	-	-	-	3,815
Health and welfare	-	-	-	654,522
Capital outlay	-	1,550	50	1,600
Debt service:				
Principal	-	-	-	225,225
Interest	-	-	-	92,491
Other	-	6,008	2,500	152,446
Total expenditures	-	7,558	2,550	1,407,829
Excess revenues (expenditures)	-	(7,558)	(2,550)	(353,096)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	1,546	3,000	304,207
Transfer out	-	-	-	(9,775)
Total other financing sources (uses)	-	1,546	3,000	294,432
Net changes in fund balance	-	(6,012)	450	(58,664)
Fund balances - beginning	6,512	31,079	6,867	764,191
Fund balances - ending	\$ 6,512	\$ 25,067	\$ 7,317	\$ 705,527

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**September 30, 2007**

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 46,850	\$ -	\$ -	\$ -
Unrestricted	6,283	1,784	4,981	142,254
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	857	-
Total current assets	<u>53,133</u>	<u>1,784</u>	<u>5,838</u>	<u>142,254</u>
Noncurrent assets:				
Delinquent taxes	-	-	-	-
Accrued interest on delinquent taxes	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 53,133</u></u>	<u><u>\$ 1,784</u></u>	<u><u>\$ 5,838</u></u>	<u><u>\$ 142,254</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 16	\$ -	\$ 148	\$ -
Accrued payroll	-	-	1,837	-
Total liabilities	<u>16</u>	<u>-</u>	<u>1,985</u>	<u>-</u>
<b>NET ASSETS</b>				
Unrestricted	<u>53,117</u>	<u>1,784</u>	<u>3,853</u>	<u>142,254</u>
Total net assets	<u>53,117</u>	<u>1,784</u>	<u>3,853</u>	<u>142,254</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 53,133</u></u>	<u><u>\$ 1,784</u></u>	<u><u>\$ 5,838</u></u>	<u><u>\$ 142,254</u></u>

See accompanying notes to financial statements

<u>Summer Tax Collections</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Tax Revolving 2005</u>	<u>Tax Revolving Administration</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,850
843	-	31	4,144	124,287	-	284,607
-	-	-	155	730	-	885
-	-	-	12,000	-	-	12,000
-	-	-	-	-	-	857
<u>843</u>	<u>-</u>	<u>31</u>	<u>16,299</u>	<u>125,017</u>	<u>-</u>	<u>345,199</u>
-	-	610	577	45,666	-	46,853
-	-	-	-	13,015	-	13,015
-	-	610	577	58,681	-	59,868
<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 641</u>	<u>\$ 16,876</u>	<u>\$ 183,698</u>	<u>\$ -</u>	<u>\$ 405,067</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164
-	-	-	-	-	-	1,837
-	-	-	-	-	-	1,985
<u>843</u>	<u>-</u>	<u>641</u>	<u>16,876</u>	<u>183,698</u>	<u>-</u>	<u>403,066</u>
<u>843</u>	<u>-</u>	<u>641</u>	<u>16,876</u>	<u>183,698</u>	<u>-</u>	<u>403,066</u>
<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 641</u>	<u>\$ 16,876</u>	<u>\$ 183,698</u>	<u>\$ -</u>	<u>\$ 405,067</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

	<u>Foreclosure</u>	<u>Jail Commissary</u>	<u>Building Inspection Department</u>	<u>Buildings and Property</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 30,885	\$ 7,221	\$ 17,298	\$ -
State sources	-	-	4,555	-
Rental and interest income	870	8	-	-
Other	2,465	-	84	1
Total operating revenue	<u>34,220</u>	<u>7,229</u>	<u>21,937</u>	<u>1</u>
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	-	-	60,876	-
Contracted services	13,504	-	-	4,381
Other	5,272	6,486	2,868	25
Total operating expenses	<u>18,776</u>	<u>6,486</u>	<u>63,744</u>	<u>4,406</u>
Operating income (loss)	<u>15,444</u>	<u>743</u>	<u>(41,807)</u>	<u>(4,405)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Transfer in	-	-	44,725	-
Transfer out	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>44,725</u>	<u>-</u>
Change in net assets	15,444	743	2,918	(4,405)
Total net assets - beginning	<u>37,673</u>	<u>1,041</u>	<u>935</u>	<u>146,659</u>
Total net assets - ending	<u><u>53,117</u></u>	<u><u>\$ 1,784</u></u>	<u><u>\$ 3,853</u></u>	<u><u>\$ 142,254</u></u>

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2000	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2005	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,404
-	-	-	-	-	-	4,555
-	-	421	3,495	43,277	-	48,071
-	-	18	16	9,233	-	11,817
-	-	439	3,511	52,510	-	119,847
-	-	-	-	-	-	60,876
-	-	-	-	4,120	-	22,005
1,704	-	-	-	160	-	16,515
1,704	-	-	-	4,280	-	99,396
(1,704)	-	439	3,511	48,230	-	20,451
-	-	380	-	-	-	45,105
-	(910)	(15,362)	(104,161)	(440,000)	(9,729)	(570,162)
-	(910)	(14,982)	(104,161)	(440,000)	(9,729)	(525,057)
(1,704)	(910)	(14,543)	(100,650)	(391,770)	(9,729)	(504,606)
2,547	910	15,184	117,526	575,468	9,729	907,672
<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 641</u>	<u>\$ 16,876</u>	<u>\$ 183,698</u>	<u>\$ -</u>	<u>\$ 403,066</u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

	Foreclosure	Jail Commissary	Building Inspection Department	Buildings and Property
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 30,886	\$ 7,221	\$ 17,298	\$ -
Receipts from interest and rents	870	8	-	-
Cash received for collection of taxes	-	-	-	-
Other operating cash receipts	15,145	-	4,639	1
Payments to suppliers	(13,488)	-	-	(4,999)
Payments for wages and related benefits	-	-	(60,833)	-
Other operating cash payments	(5,272)	(6,486)	(2,841)	(25)
Net cash provided (used) by operating activities	28,141	743	(41,737)	(5,023)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	-	44,725	-
Transfer out	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	44,725	-
Net increase (decrease) in cash and equivalents	28,141	743	2,988	(5,023)
Cash and equivalents, beginning of year	24,992	1,041	1,993	147,277
Cash and equivalents, end of year	\$ 53,133	\$ 1,784	\$ 4,981	\$ 142,254
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	15,444	\$ 743	\$ (41,807)	\$ (4,405)
Changes in assets and liabilities:				
(Increase) decrease in receivables	1	-	-	-
(Increase) decrease in due from other funds	12,680	-	-	-
(Increase) decrease in prepaid expenses	-	-	4	-
Increase (decrease) in accounts payable	16.00	-	23	(618)
Increase (decrease) in accrued payroll	-	-	43	-
Total adjustments	12,697	-	70	(618)
Net cash provided by operating activities	\$ 28,141	\$ 743	\$ (41,737)	\$ (5,023)

See accompanying notes to financial statements

Summer Tax Collections	Tax Revolving 2000	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2005	Tax Revolving Administration	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,405
-	-	476	3,875	50,552	-	55,781
-	3	460	412	230,998	-	231,873
-	352	400	6,232	56,387	-	83,156
-	-	-	-	(4,120)	-	(22,607)
-	-	-	-	-	-	(60,833)
(1,704)	-	-	-	(160)	-	(16,488)
(1,704)	355	1,336	10,519	333,657	-	326,287
-	-	380	-	-	-	45,105
-	(910)	(15,362)	(104,161)	(440,000)	(9,729)	(570,162)
-	(910)	(14,982)	(104,161)	(440,000)	(9,729)	(525,057)
(1,704)	(555)	(13,646)	(93,642)	(106,343)	(9,729)	(198,770)
2,547	555	13,677	97,786	230,630	9,729	530,227
\$ 843	\$ -	\$ 31	\$ 4,144	\$ 124,287	\$ -	\$ 331,457
\$ (1,704)	\$ -	\$ 439	\$ 3,511	\$ 48,230	\$ -	\$ 20,451
-	3	545	963	237,571	-	239,083
-	352	352	6,045	47,856	-	67,285
-	-	-	-	-	-	4
-	-	-	-	-	-	(579)
-	-	-	-	-	-	43
-	355	897	7,008	285,427	-	305,836
\$ (1,704)	\$ 355	\$ 1,336	\$ 10,519	\$ 333,657	\$ -	\$ 326,287

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2007**

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Restricted	\$ 3,305	\$ -	\$ -	\$ 6,886
Unrestricted	7,639	1,090	1,500	1,776
Accounts receivable	12	43	19	-
Prepaid expenses	-	4,545	-	-
	<u>10,956</u>	<u>5,678</u>	<u>1,519</u>	<u>8,662</u>
Total current assets				
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>11,229</u>	<u>-</u>	<u>-</u>	<u>13,001</u>
Total assets	<u>\$ 22,185</u>	<u>\$ 5,678</u>	<u>\$ 1,519</u>	<u>\$ 21,663</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	-	1,422	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,422</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets	11,229	-	-	13,001
Unrestricted	<u>10,956</u>	<u>5,678</u>	<u>97</u>	<u>8,662</u>
Total net assets	<u>22,185</u>	<u>5,678</u>	<u>97</u>	<u>21,663</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,185</u>	<u>\$ 5,678</u>	<u>\$ 1,519</u>	<u>\$ 21,663</u>

See accompanying notes to financial statements



Total Internal Service Funds	
\$	10,191
	12,005
	74
	<u>4,545</u>
	<u>26,815</u>
	<u>24,230</u>
\$	<u><u>51,045</u></u>
	1,422
	<u>-</u>
	<u>1,422</u>
	24,230
	<u>25,393</u>
	<u>49,623</u>
\$	<u><u>51,045</u></u>

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2007**

	<u>Computer</u>	<u>Postage Meter</u>	<u>Telephone</u>	<u>Motor Pool Police Vehicle</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 685	\$ 2,105	\$ 1,959	\$ -
Other	870	-	-	-
Total operating revenue	<u>1,555</u>	<u>2,105</u>	<u>1,959</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Administrative fees	17,369	14,372	20,468	277
Depreciation	7,298	-	105	4,876
Total operating expenses	<u>24,667</u>	<u>14,372</u>	<u>20,573</u>	<u>5,153</u>
Operating income (loss)	<u>(23,112)</u>	<u>(12,267)</u>	<u>(18,614)</u>	<u>(5,153)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Loss on sale of fixed assets	(160)	-	-	-
Transfer in	22,420	5,300	18,509	1,000
Total nonoperating revenues (expenses)	<u>22,260</u>	<u>5,300</u>	<u>18,509</u>	<u>1,000</u>
Change in net assets	(852)	(6,967)	(105)	(4,153)
Total net assets - beginning	<u>23,037</u>	<u>12,645</u>	<u>202</u>	<u>25,816</u>
Total net assets - ending	<u><u>\$ 22,185</u></u>	<u><u>\$ 5,678</u></u>	<u><u>\$ 97</u></u>	<u><u>\$ 21,663</u></u>

See accompanying notes to financial statements

Total Internal Service Funds	
<hr/>	
\$	4,749
	870
<hr/>	
	5,619
<hr/>	
	52,486
	12,279
<hr/>	
	64,765
<hr/>	
	(59,146)
<hr/>	
	(160)
	47,229
<hr/>	
	47,069
<hr/>	
	(12,077)
<hr/>	
	61,700
<hr/>	
\$	49,623
<hr/>	

See accompanying notes to financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2007

	Computer	Postage Meter	Telephone	Motor Pool Police Vehicle
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from interfund services provided	\$ 1,543	\$ 2,062	\$ 1,947	\$ -
Cash payments to other suppliers of goods and services	(17,477)	(18,227)	(20,420)	(277)
Net cash provided (used) by operating activities	(15,934)	(16,165)	(18,473)	(277)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	22,420	5,300	18,509	1,000
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Purchases of capital assets	-	-	-	-
Net increase (decrease) in cash and equivalents	6,486	(10,865)	36	723
Cash and equivalents, beginning of year	4,458	11,955	1,464	7,939
Cash and equivalents, end of year	\$ 10,944	\$ 1,090	\$ 1,500	\$ 8,662
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (23,112)	\$ (12,267)	\$ (18,614)	\$ (5,153)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	7,298	-	105	4,876
Changes in assets and liabilities:				
(Increase) decrease in receivables	(12)	(43)	(12)	-
(Increase) decrease in prepaid expenses	-	(3,855)	-	-
Increase (decrease) in accounts payable	-	-	48	-
Increase (decrease) in due to other funds	(108)	-	-	-
Total adjustments	7,178	(3,898)	141	4,876
Net cash provided by operating activities	\$ (15,934)	\$ (16,165)	\$ (18,473)	\$ (277)

See accompanying notes to the financial statements

Total Internal Service Funds	
\$	5,552
	<u>(56,401)</u>
	<u>(50,849)</u>
	 <u>47,229</u>
	 <u>-</u>
	(3,620)
	<u>25,816</u>
\$	<u><u>22,196</u></u>
 \$	 <u>(59,146)</u>
	 12,279
	(67)
	(3,855)
	48
	<u>(108)</u>
	 <u>8,297</u>
\$	<u><u>(50,849)</u></u>

See accompanying notes to the financial statements

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**September 30, 2007**

	General Trust and Agency	Probation Restitution	District Court Trust	Sheriff Inmate Trust
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 152,064	\$ 5,482	\$ 46,872	\$ 470
Receivables:				
Due from other governmental units	-	-	-	-
Other assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 152,064</u>	<u>\$ 5,482</u>	<u>\$ 46,872</u>	<u>\$ 470</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,796	\$ -	\$ -	\$ -
Due to other funds	2,302	-	-	-
Due to other units governmental units	102,990	-	-	-
Undistributed taxes	3,447	-	-	-
Other liabilities	40,529	5,482	46,872	470
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 152,064</u>	<u>\$ 5,482</u>	<u>\$ 46,872</u>	<u>\$ 470</u>

See accompanying notes to financial statements

<u>Payroll Trust and Agency</u>	<u>Library Fund</u>	<u>Retirement Fund</u>	<u>Housing Commission</u>	<u>Totals</u>
\$ 2,000	\$ 20,831	\$ 17,176	\$ -	\$ 244,895
5,499	6,459	-	6,303	18,261
-	-	-	1,714	1,714
<u>\$ 7,499</u>	<u>\$ 27,290</u>	<u>\$ 17,176</u>	<u>\$ 8,017</u>	<u>\$ 264,870</u>
\$ -	\$ -	\$ -	\$ 1,750	\$ 4,546
6,169	-	-	922	9,393
1,330	-	-	-	104,320
-	-	-	-	3,447
-	27,290	17,176	5,345	143,164
<u>\$ 7,499</u>	<u>\$ 27,290</u>	<u>\$ 17,176</u>	<u>\$ 8,017</u>	<u>\$ 264,870</u>

See accompanying notes to financial statements

**SINGLE AUDIT**





**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Schoolcraft County  
Manistique, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Schoolcraft County as of and for the year ended September 30, 2007, which collectively comprise Schoolcraft County's basic financial statements and have issued our report thereon dated February 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schoolcraft County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Schoolcraft, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Schoolcraft, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Schoolcraft, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Schoolcraft, Michigan's financial statements that are more than inconsequential will not be prevented or detected by the County of Schoolcraft, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, as item 07-1 and 07-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Schoolcraft, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schoolcraft County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Schoolcraft County in a separate letter dated February 22, 2008.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

February 22, 2008



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Schoolcraft County  
Manistique, Michigan

Compliance

We have audited the compliance of Schoolcraft County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Schoolcraft County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Schoolcraft County's management. Our responsibility is to express an opinion on Schoolcraft County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schoolcraft County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Schoolcraft County's compliance with those requirements.

In our opinion, Schoolcraft County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance


The management of Schoolcraft County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Schoolcraft County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This report is intended solely for the information and use of the board of commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

February 22, 2008

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2007**

<b>Federal Grantor/Pass-through/Program Title</b>	<b>Federal CFDA #</b>	<b>Agency/Pass- through #</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed through Michigan Department of State Police, Emergency Management and Homeland Security Division:			
Homeland Security Grant Program:			
2005 Homeland Security Grant Program	97.067		12,055
2007 Emergency Management Performance Grant	97.042		2,374
Emergency Food & Shelter National Board Program	97.024		1,763
Passed through Department of Homeland Security:			
2006 Michigan Homeland Security Grant Program	97.067		80,263
Total U.S. Department of Homeland Security			96,455
<b>U.S. Department of Health and Human Services</b>			
Passed through State of Michigan Family Independence Agency:			
Family Support Payments to States - Assistance Payments	93.560		19,802
Child Abuse & Neglect Discretionary Activities	93.670		84
Promoting Safe and Stable Families	93.556		40,713
Child Support Enforcement	93.563	CSFOC-07-77001/ CSPA-07-77002	155,629
Passed through the Upper Peninsula Commission for Area Progress:			
Special Programs for the Aging - Title III, Part B	93.044		12,069
National Family Caregiver Support	93.052		2,180
Total U.S. Department of Health and Human Services			230,477
<b>U.S. Environmental Protection Agency</b>			
Direct payments:			
Brownfields Assessment & Cleanup Cooperative Agreements	66.818	BF-96597401-0	155,594
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2005-749-HOA	91,205
	14.228	MSC-2006-749-HOA	3,640
Home Investment Partnership Program	14.239	M-2003-0749	57,014
Total U.S. Department of Housing and Urban Development			151,859

See accompanying notes to the schedule of expenditures of federal awards.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2007**

<u>Federal Grantor/Pass-through/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency/Pass- through #</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Transportation</b>			
Passed through the Michigan Department of Transportation:			
Formula Grants For Other Than Urbanized Areas	20.509		<u>89,657</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Michigan Department of Natural Resources:			
Schools and Roads - Grants to States	10.665		<u>83,073</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 807,115</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended September 30, 2007**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's direct federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the grant activity of Schoolcraft County and is presented on the modified accrual basis of accounting.

**NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS**

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

**NOTE D – FEDERAL REVENUE RECONCILIATION**

Federal revenue per governmental fund financial statements	\$ 482,526
Federal expenditures per schedule of expenditures of federal awards	<u>807,115</u>
Difference	\$ (324,589)

Reconciling items:

Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:

Economic Development Corporation	151,859
Public Transit	89,657

Federal funds received and disbursed within the General Trust and Agency Fund:

Schools and Roads - Grants to States	<u>83,073</u>
Reconciled difference	<u><u>\$ -</u></u>

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2007**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Schoolcraft, Michigan.
2. Significant deficiencies disclosed during the audit of the basic financial statements are reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and are detailed in part B of this schedule.
3. There were no instances of noncompliance material to the basic financial statements of the County of Schoolcraft, Michigan disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal programs as reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Schoolcraft, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the County of Schoolcraft, Michigan.
7. The program tested as a major program included:
  - Brownfields Assessment and Cleanup Cooperative Agreements, CFDA #66.818
  - Formula Grants For Other Than Urbanized Areas, CFDA #20.509
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Schoolcraft, Michigan was determined to be a low-risk auditee.



**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2007**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-1. PREPARATION OF FINANCIAL STATEMENTS**

Condition/Criteria: The County of Schoolcraft, Michigan does not prepare their own financial statements.

Effect: Significant deficiency in internal controls over financial reporting as County of Schoolcraft, Michigan does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

Cause: The County of Schoolcraft, Michigan has chosen to not possess the personnel experienced in preparing financial statements and the required footnote disclosures.

Recommendation: None.

**07-2. SIGNIFICANT AUDIT ADJUSTMENTS**

Condition/Criteria: Audit adjustments, which were more than inconsequential, were needed to adjust the financial reporting of the County of Schoolcraft, Michigan.

Effect: A significant deficiency in internal controls occurred as a result of audit adjustments, which in the aggregate, are more than inconsequential.

Cause: The financial reporting of the County was not properly reflected in the general ledger.

Recommendation: The financial reporting of the County should reflect all material account balances (e.g. accrued interest receivables on delinquent taxes) as of the year-end.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the current fiscal year.	\$ -

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2007**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

There were no prior year findings or questioned costs.



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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## REPORT TO MANAGEMENT

Schoolcraft County Board of Commissioners  
Manistique, MI 49854

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schoolcraft, Michigan for the year ended September 30, 2007 and have issued our reports thereon dated February 22, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 31, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement, may exist and not be detected by us.

In planning and performing our audit, we considered County of Schoolcraft, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Schoolcraft, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Schoolcraft, Michigan's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its' major federal programs for the purpose of expressing an opinion on County of Schoolcraft, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Schoolcraft, Michigan's compliance with those requirements.

Schoolcraft County Board of Commissioners  
Manistique, MI 49854

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by County of Schoolcraft, Michigan are described in Note A of the financial statements. No new accounting policies were adopted and applications of existing policies were not changed during 2007. We noted no transactions entered into by County of Schoolcraft, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the useful lives on fixed assets is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Schoolcraft County's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

#### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial

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statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Schoolcraft, Michigan auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of County of Schoolcraft, Michigan for the year ended September 30, 2007, we considered County of Schoolcraft, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated February 22, 2008, on the financial statements of County of Schoolcraft, Michigan

This information is intended solely for the use by the Board of Commissioners and the management of Schoolcraft County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

February 22, 2008

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### **COMMENTS AND RECOMMENDATIONS**

September 30, 2007

#### LACK OF PAYROLL TIME SHEET APPROVAL

**Comment:**

During our testing, we noted a lack of approval signatures relating to several timesheets in the Sheriff's Department.

**Recommendation:**

We recommend the review and approval of all timesheets be documented by signature of the Supervisor. It is only by this documentation, can it be assured that the review and approval process is being performed which strengthens the internal controls over the payroll process.

#### NEW HIRE REPORTING FORM

**Comment:**

Based on our testing, we became aware the County has not been meeting the Employer New Hire Reporting Requirements by not submitting the New Hire Reporting Form.

**Recommendation:**

We recommend the County meet the requirements of the New Hire Reporting Requirements each time the County hires or rehires an employee.

#### MILEAGE REIMBURSEMENTS FOR COUNTY OFFICIALS

**Comment:**

We became aware of an instance where a County official was reimbursed for mileage from their residence to a County meeting place.

**Recommendation:**

The Michigan Department of Treasury states, "Mileage of officials and employees to and from their residence to the city, township or village hall, county building or meeting rooms" are deemed unlawful expenditures by a government unit. We recommend no such reimbursements be made by the County in order to comply with State law.

## COUNTY OF SCHOOLCRAFT, MICHIGAN

### **COMMENTS AND RECOMMENDATIONS**

September 30, 2007

#### PERSONAL USE OF COUNTY PROPERTY

**Comment:**

We became aware of instances of cell phone charges to the County as a result of personal use.

**Recommendation:**

We recommend personal use of County property and/or related billing accounts not be allowed. Even if the County is subsequently reimbursed by the user, essentially, these types of transactions are like short-term loans, which are prohibited by State law.

#### COOPERATIVE REIMBURSEMENT REPORTS

**Comment:**

We noted monthly Title IV-D Cooperative Reimbursement Expenditure Reports, which were submitted later than fifteen (15) business days after the month of service provided.

**Recommendation:**

We recommend all monthly expenditure reports be submitted within the fifteen (15) day requirement to insure reimbursement is received on a timely basis.

#### MEDICAL CARE FACILITY

**Comment:**

1. Social Welfare Fund - During the audit, we noted that the Medical Care Facility's cash balances are not segregated from other cash balances at the County. MCL 400.73a (1) states that all monies for the social welfare fund must remain separate and apart from all other County funds. We recommend having the County keep the Facility's funds separate from other County funds. This would also address the interest income issue from last year's audit.
2. Journal Entry Approval - During our review of the journal entries made during the year, we noted that internal review and approval was not being noted on the journal entries. While we believe the review and approval does occur, we recommend that this review and approval be indicated with a set of initials on the journal entry page.

**COUNTY OF SCHOOLCRAFT, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

September 30, 2007

**PUBLIC TRANSIT**

**Comments and Recommendations:**

1. Fare box Collections – We noted during our audit that lockboxes are not used on the buses and that drivers maintain their own log sheets. This creates a risk of unrecorded fares. We recommend the drivers begin using the lockboxes to further enhance the internal controls over fare box collections.

We noted fare box receipts are not always deposited with the County on a timely basis. Frequently, there are substantial amounts of fare box receipts kept at the Transit office prior to deposit. We recommend deposits be made on a more timely basis and cash held at the Transit office be kept to a minimum.

2. Contract Billings – We noted during our audit that the billings to Hiawatha Behavioral Health were not always timely. We recommend that these billings be done on a timely basis each month.